

1 PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with Hong Kong Financial Reporting Standards.

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

(a) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary companies made up to 31st December and the Group's attributable share of post-acquisition results and reserves of the jointly controlled entities and associated companies.

The results of subsidiary companies, jointly controlled entities and associated companies acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

The profits or losses on the disposal of subsidiary companies, jointly controlled entities and associated companies are calculated as the difference between the net disposal proceeds and the Group's share of net assets at the date of disposal including the attributable amount of goodwill which remains unamortised or previously taken directly to reserves.

(b) Goodwill

Goodwill represents the difference between the costs of acquisition over the fair values ascribed to the Group's share of the net assets of the acquired subsidiary companies, jointly controlled entities or associated companies at the effective date of acquisition. Goodwill on acquisitions is included in the balance sheet as a separate asset and amortised using the straight-line method over its estimated useful life of not more than twenty years. Where the fair values ascribed to the net assets exceed the purchase consideration, such differences are recognised in the profit and loss account as income in the year of acquisition or over the weighted average useful life of the acquired non-monetary assets.

The carrying amount of goodwill is reviewed annually and provision is only made when, in the opinion of the Directors, there is impairment in value other than temporary in nature.

(c) Subsidiary companies

A company is a subsidiary company if more than 50% of the issued equity capital is held, directly and indirectly, for the long-term or if the composition of the board of directors is controlled by the Group. Investments in subsidiary companies are carried in the Company's balance sheet at or below cost. Provision is made when, in the opinion of the Directors, there is impairment in value other than temporary in nature.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)**(d) Jointly controlled entities**

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. A jointly controlled entity is accounted for under the equity method whereby the Group's share of results is included in the consolidated profit and loss account and the Group's share of net assets is included in the consolidated balance sheet.

(e) Associated companies

An associated company is a company, not being a subsidiary company or jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its management. Associated companies are accounted for under the equity method whereby the Group's share of results is included in the consolidated profit and loss account and the Group's share of net assets is included in the consolidated balance sheet.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and provision for significant permanent impairment in values.

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and are held for their investment potential, any rental income being negotiated at arm's length. Investment properties held on leases of more than twenty years are carried at open market value based on annual valuations by independent valuers at the balance sheet date. Deficits in valuation are charged to the profit and loss account; increases are first credited to the profit and loss account to the extent of valuation deficits previously charged on a portfolio basis and thereafter credited to the investment property valuation reserve. Upon the disposal of an investment property, any relevant revaluation surplus is transferred to the profit and loss account.

No depreciation is provided in respect of investment properties held on leases of more than twenty years. Depreciation of other assets is calculated to write off the cost of the assets over their estimated useful lives or if shorter, the relevant finance lease periods, using straight-line method, at the rate of 20% per annum.

Major costs incurred in restoring assets to their normal working conditions are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group. The carrying amounts of assets are reviewed regularly. Where the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts. Expected future cash flows have been discounted in determining the recoverable amounts.

Profits and losses on disposal, other than investment properties, are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Investments

Investments expected to be held for the long-term are stated at cost less provision for impairment other than temporary in nature. Listed investments are revalued annually based on their open market values. Changes in valuation are credited or debited to the investment revaluation reserve. Upon disposal of revalued investments, any relevant revaluation reserve is dealt with in the profit and loss account.

Trading investments, which are acquired principally for the purpose of generating a profit from short-term fluctuation in price, are carried at fair value. The net unrealised gains or losses arising from the changes in fair value are recognised in the profit and loss account. Profits or losses on disposal of trading investments, representing the differences between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first-in, first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) Provisions

Provisions are recognised when there is 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 a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(j) Leased assets

Assets leased from third parties under agreements that transfer substantially all the risks and rewards incident to ownership of relevant assets to the Group are classified as finance leases. At the inception of a finance lease, the fair value of the asset or, if lower, the present value of the minimum lease payments, derived by discounting them at the interest rate implicit in the lease, is capitalised as a fixed asset; the corresponding obligations, net of finance charges, is included under long-term liabilities. Gross rental payable in respect of finance leases are apportioned between interest charges and a reduction of the lease obligations based on the interest rates implicit in the relevant leases. Assets held under finance leases are depreciated on the basis described in note (f) above.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Rentals payable, net of incentives received from the lessors, under operating leases are charged to the profit and loss account on a straight-line basis over the lease periods.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)**(k) Employee benefits**

Contributions under the defined contribution retirement scheme, which are calculated as a percentage of basic salaries of the employees, are charged to the profit and loss account in the year to which the contributions relate.

Employee entitlements to annual leave and long service leave are recognised when they accrued to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Provision for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(l) 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 subsidiary companies, associated companies and a jointly controlled entity, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In previous years, deferred taxation was accounted for using the liability method at the current 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. This accounting policy has been changed to conform with the revised Statement of Standard Accounting Practice No 12 "Income taxes" issued by the Hong Kong Society of Accountants. The adoption of the revised accounting policy has no effect to the accounts of the Group.

(m) Revenue recognition

Sales of goods are recognised when goods are delivered and legal title passed to customers. Sale of completed properties is recognised when the sale agreement is completed and legal title passed to the purchasers. Rental income, net of incentives paid to lessees, under operating leases is recognised over the periods of the respective leases on a straight-line basis. Service income is recognised when the services are rendered. Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable. Dividend income is recognised when the right to receive payment is certain.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Borrowing costs

Interest and related costs on borrowing directly incurred to finance the acquisition, construction and development of an asset that is required to take a substantial period of time to get ready and prepare for its intended use are capitalised as part of the cost of the asset. All other borrowing costs are charged to the profit and loss account as they are incurred.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions within three months from the date of placement, less advances from banks and financial institutions repayable within three months from the date of advance.

(p) Translation of foreign currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at that date. Exchange differences arising are dealt with in the profit and loss account.

Profit and loss accounts of subsidiary companies, associated companies and jointly controlled entities expressed in foreign currencies are translated at the weighted average exchange rates for the year and balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of net investments in foreign subsidiary companies, associated companies and jointly controlled entities are taken directly to reserves.

2 TURNOVER

	2003 HK\$'000	2002 HK\$'000
Sales of electronic components	44,266	39,346
Sales of properties	—	13,853
Property rental	1,932	1,404
Service income	—	860
	<u>46,198</u>	<u>55,463</u>

3 SEGMENT INFORMATION

The Group is principally engaged in property investment and technology-related business. In accordance with the Group's internal financial reporting and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments. Segment assets consist primarily of non-current assets, inventories and receivables. Segment liabilities comprise creditors and accruals. There are no sales or trading transactions between the business segments. In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

3 SEGMENT INFORMATION (Continued)

A summary of business segments is set out as follows:

	Property investment	Technology	Corporate and others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31st December 2003				
Turnover	1,932	44,266	—	46,198
Segment results	7,695	(34,962)	(5,191)	(32,458)
Financial expenses				(3,339)
Share of losses of				
A jointly controlled entity	—	—	(810)	(810)
Associated companies	1,077	(150)	(3,442)	(2,515)
Loss before taxation				(39,122)
Taxation charge				(1,731)
Loss after taxation				(40,853)
Minority interests	—	1,402	3	1,405
Loss attributable to shareholders				(39,448)
Segment assets	89,740	15,582	—	105,322
Unallocated assets				117,769
Total assets				223,091
Segment liabilities	678	19,919	—	20,597
Unallocated liabilities				114,504
Total liabilities				135,101
Capital expenditure	—	73	1,429	1,502
Depreciation	—	308	370	678
Amortisation of goodwill	—	4,344	—	4,344
Provision against goodwill	—	25,000	—	25,000

3 SEGMENT INFORMATION (Continued)

	Property investment HK\$'000	Technology HK\$'000	Corporate and others HK\$'000	Total HK\$'000
Year ended 31st December 2002				
Turnover	15,257	40,206	—	55,463
Segment results	(22,814)	(8,862)	(38,906)	(70,582)
Financial expenses				(6,350)
Share of losses of				
A jointly controlled entity	—	—	(488)	(488)
Associated companies	(2,152)	(521)	(3,409)	(6,082)
Loss before taxation				(83,502)
Taxation credit				97
Loss after taxation				(83,405)
Minority interests	—	1,254	1	1,255
Loss attributable to shareholders				(82,150)
Segment assets	84,828	52,662	—	137,490
A jointly controlled entity	—	—	10,039	10,039
Associated companies	—	36,769	—	36,769
Unallocated assets				105,099
Total assets				289,397
Segment liabilities	1,128	11,923	—	13,051
Unallocated liabilities				205,718
Total liabilities				218,769
Capital expenditure	78,850	207	273	79,330
Depreciation	—	394	718	1,112
Amortisation of goodwill	—	4,344	—	4,344

3 SEGMENT INFORMATION (Continued)

A summary of the geographical segments is set out as follows:

	Turnover HK\$'000	Operating profit/(loss) HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Year ended 31st December 2003				
Hong Kong	41,683	(48,317)	212,732	1,502
Mainland China	4,515	15,859	10,359	—
	<u>46,198</u>	<u>(32,458)</u>	<u>223,091</u>	<u>1,502</u>
Year ended 31st December 2002				
Hong Kong	54,603	(69,113)	264,420	79,330
Mainland China	860	(1,469)	24,977	—
	<u>55,463</u>	<u>(70,582)</u>	<u>289,397</u>	<u>79,330</u>

4 OTHER REVENUES

	2003 HK\$'000	2002 HK\$'000
Management fee	613	—
Interest	15	39
Write back of claims payable	—	2,926
Sundries	302	2,287
	<u>930</u>	<u>5,252</u>

5 GAIN ON DISPOSAL OF JOINTLY CONTROLLED ENTITIES

The gain includes the sale of the Group's 32% equity interest in Beijing Long Quan Hotel Limited (note 15) and 42% equity interest in Beijing Glory Real Estate Development Company Limited (note 19).

6 OPERATING LOSS

	2003 HK\$'000	2002 HK\$'000
Operating loss is stated after charging:		
Depreciation		
Owned assets	607	1,112
Leased assets	71	—
Staff costs (including Directors' remuneration)	22,899	21,954
Operating lease rental expense for land and buildings	356	1,218
Auditors' remuneration	470	455
Amortisation of goodwill	4,344	4,344
Loss on disposal of property, plant and equipment	3	11,384
Bad and doubtful debts	733	6,170
	<u> </u>	<u> </u>

7 FINANCIAL EXPENSES

	2003 HK\$'000	2002 HK\$'000
Interest on bank loans and overdrafts	2,458	3,125
Interest on short-term loans (<i>note 23</i>)	861	3,225
Interest on finance lease obligations wholly payable within five years	20	—
	<u> </u>	<u> </u>
	<u>3,339</u>	<u>6,350</u>

8 EMOLUMENTS OF DIRECTORS AND SENIOR EXECUTIVES

(a) Directors' emoluments

Details of the emoluments paid to the Directors of the Company are as follows:

	2003 HK\$'000	2002 HK\$'000
Fees	1,050	980
Salaries and other emoluments	7,930	9,199
Discretionary bonuses	—	—
Retirement benefits	48	42
	<u> </u>	<u> </u>
	<u>9,028</u>	<u>10,221</u>

8 EMOLUMENTS OF DIRECTORS AND SENIOR EXECUTIVES (Continued)

(a) Directors' emoluments (Continued)

The emoluments of the Directors of the Company fall within the following bands:

Emolument bands	Number of Directors	
	2003	2002
Nil to HK\$1,000,000	5	5
HK\$1,000,001 to HK\$1,500,000	—	1
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$5,500,001 to HK\$6,000,000	1	—
HK\$6,500,001 to HK\$7,000,000	—	1
	<u>7</u>	<u>7</u>

None of the Directors has waived the right to receive their emoluments. Fees paid to Independent Non-executive Directors during the year amounted to HK\$450,000 (2002: HK\$450,000).

(b) Senior executives' emoluments

Details of emoluments paid by the Group to the five individuals, including four (2002: four) Directors, whose emoluments were the highest in the Group are as follows:

	2003	2002
	HK\$'000	HK\$'000
Salaries and other emoluments	9,250	10,780
Discretionary bonuses	—	—
Retirement benefits	48	54
	<u>9,298</u>	<u>10,834</u>

The emoluments of the five individuals of the Group fall within the following bands:

Emoluments bands	Number of individuals	
	2003	2002
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	—	2
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$5,000,001 to HK\$5,500,000	1	—
HK\$6,500,001 to HK\$7,000,000	—	1
	<u>5</u>	<u>5</u>

9 EMPLOYEE RETIREMENT PLAN

The Group operates a defined contribution mandatory provident fund scheme for all eligible employees. The assets of the fund are held separately from the assets of the Group and contributions are calculated as a percentage of the basic salaries of the employees. Contributions to the scheme during the year are HK\$421,000 (2002: HK\$419,000).

10 TAXATION (CHARGE)/CREDIT

	2003 HK\$'000	2002 HK\$'000
Company and subsidiary companies		
Current		
Hong Kong profits tax	550	70
Overseas	(2,187)	(43)
	<u>(1,637)</u>	<u>27</u>
Associated companies		
Current (overseas)	(94)	70
	<u>(1,731)</u>	<u>97</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

In June 2002, the Board of Review of the Inland Revenue Department determined that a subsidiary company is liable to Hong Kong profits tax and surcharges totalling approximately HK\$89.5 million in respect of its profit from the disposal of properties in 1994 and 1995. The Directors however maintain their opinion that such profit is capital in nature and therefore not subject to Hong Kong profits tax. Since the subsidiary company has no meaningful assets and therefore does not have the ability to pay the tax and surcharges nor file further objections against this determination. In December 2003, the Inland Revenue Department filed a petition to the High Court to wind up the subsidiary company. However, no other company within the Group is liable for any tax or surcharges payable by this subsidiary company and the rest of the Group will not provide funds to this subsidiary company to satisfy the tax and surcharges in question. In view of the foregoing, the Directors consider it is not appropriate to make any provision for the above tax and surcharges payable in the accounts.

10 TAXATION (CHARGE)/CREDIT (Continued)

The taxation on the loss before taxation of the Group differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2003 HK\$'000	2002 HK\$'000
Loss before taxation	<u>(39,122)</u>	<u>(83,502)</u>
Tax asset at the tax rate of 17.5% (2002: 16%)	6,846	13,360
Effect of different tax rates in other counties	1,506	250
Income not subject to taxation	221	2
Expenses not deductible for taxation purposes	(11,030)	(9,540)
Taxation losses not recognised	(850)	(1,610)
Recognition of previously unrecognised temporary differences	1,821	112
Temporary differences not recognised	<u>(245)</u>	<u>(2,477)</u>
Taxation (charge)/credit	<u>(1,731)</u>	<u>97</u>

Deferred tax assets of the Group and the Company amounting to HK\$18,304,000 (2002: HK\$15,890,000) and HK\$3,404,000 (2002: HK\$3,112,000), respectively, arising from unused tax losses have not been recognised in the accounts. Unused tax losses have no expiry date.

11 LOSS PER SHARE

The calculation of loss per share is based on the loss attributable to shareholders for the year of HK\$39,448,000 (2002: HK\$82,150,000) and on the weighted average of 490,584,391 shares (2002: 490,584,391 shares) in issue during the year.

12 PROPERTY, PLANT AND EQUIPMENT
Group

	Investment properties HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation				
At 31st December 2002	84,500	4,488	1,361	90,349
Additions	—	82	1,420	1,502
Disposals	—	(186)	(686)	(872)
Revaluation	5,000	—	—	5,000
	<u>89,500</u>	<u>4,384</u>	<u>2,095</u>	<u>95,979</u>
At 31st December 2003	<u>89,500</u>	<u>4,384</u>	<u>2,095</u>	<u>95,979</u>
Accumulated depreciation				
At 31st December 2002	—	2,988	1,026	4,014
Charge for the year	—	504	174	678
Disposals	—	(182)	(686)	(868)
	<u>—</u>	<u>(182)</u>	<u>(686)</u>	<u>(868)</u>
At 31st December 2003	<u>—</u>	<u>3,310</u>	<u>514</u>	<u>3,824</u>
Net book value				
At 31st December 2003	<u>89,500</u>	<u>1,074</u>	<u>1,581</u>	<u>92,155</u>
At 31st December 2002	<u>84,500</u>	<u>1,500</u>	<u>335</u>	<u>86,335</u>

Investment properties of HK\$71,500,000 (2002: HK\$66,500,000) and HK\$18,000,000 (2002: HK\$18,000,000) are held under long-term leases and medium-term leases in Hong Kong, respectively. The properties are stated at professional valuations made by RHL Appraisal Limited, an independent valuer, on 31st December 2003 on an open market value basis. All other assets are carried at cost less accumulated depreciation.

The investment properties have been pledged to secure general banking facilities granted to the Group.

The net book value of property, plant and equipment held under finance leases amounted to HK\$1,349,000 (2002: nil).

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost			
At 31st December 2002	2,739	675	3,414
Additions	4	—	4
Disposals	(5)	—	(5)
	<u>2,738</u>	<u>675</u>	<u>3,413</u>
At 31st December 2003	2,738	675	3,413
Accumulated depreciation			
At 31st December 2002	2,204	340	2,544
Charge for the year	196	103	299
Disposals	(1)	—	(1)
	<u>2,399</u>	<u>443</u>	<u>2,842</u>
At 31st December 2003	2,399	443	2,842
Net book value			
At 31st December 2003	<u>339</u>	<u>232</u>	<u>571</u>
At 31st December 2002	<u>535</u>	<u>335</u>	<u>870</u>

13 GOODWILL

	2003 HK\$'000	2002 HK\$'000
Cost	43,438	43,438
Accumulated amortisation	(10,136)	(5,792)
Provision	(25,000)	—
	<u>8,302</u>	<u>37,646</u>
Net book value	8,302	37,646
At beginning of year	37,646	41,990
Amortisation	(4,344)	(4,344)
Provision	(25,000)	—
	<u>8,302</u>	<u>37,646</u>
At end of year	8,302	37,646

14 SUBSIDIARY COMPANIES

	COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	116	2,061
Amounts receivable, less provision	191,950	422,808
Amounts payable	(27,735)	(219,026)
	<u>164,331</u>	<u>205,843</u>

The amounts receivable and payable are unsecured, interest free and have no specific repayment terms.

Particulars of the principal subsidiary companies are as follows:

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Issued and paid up capital	Principal activities
		2003	2002		
Barraza Company Limited	Hong Kong	100	100	HK\$2	Provision of secretarial services
Echo Peak Investment Limited	Hong Kong	100	100	HK\$10,000	Property investment
*Ever Double Investments Limited	British Virgin Islands/ Hong Kong	100	100	US\$1	Investment holding
Ever Global Technology (Beijing) Limited	Mainland China	100	100	US\$150,000	Information system development
*Ever Global Technology Limited	Hong Kong	100	100	HK\$2	Investment holding
Keenland Company Limited	Hong Kong	100	100	HK\$100,100	Property investment
*Lead Top Development Limited	Hong Kong	100	100	HK\$2	Investment holding

14 SUBSIDIARY COMPANIES (Continued)

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Issued and paid up capital	Principal activities
		2003	2002		
Springdale Investment Company Limited	Hong Kong	100	100	HK\$100,000	Property investment
Strong Way International Limited	Hong Kong	60	60	HK\$1,000,000	Electronic components trading
*Sunberry Investments Limited	British Virgin Islands/ Hong Kong	100	100	US\$1	Investment holding
*U-Cyber Construction (Holdings) Limited	Hong Kong	100	100	HK\$20	Investment holding
U-Cyber Investment Holdings (China) Limited	Hong Kong	100	100	HK\$20	Investment holding
*U-Cyber Property (Holdings) Limited	Hong Kong	100	100	HK\$10,000	Investment holding
U-Cyber Property Development Company Limited	Hong Kong	100	100	HK\$2	Investment holding
U-Cyber Property Management Company Limited	Hong Kong	100	100	HK\$2	Investment holding
*Universal Cyber Technology Holdings Limited	Hong Kong	100	100	HK\$2	Property investment
*Well Peace Investment Limited	Hong Kong	100	100	HK\$2	Investment holding

* Subsidiary companies directly held by the Company

15 JOINTLY CONTROLLED ENTITY

	GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	—	10,039

Particulars of the jointly controlled entity were as follows:

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Principal activities
		2003	2002	
Beijing Long Quan Hotel Limited	Mainland China	—	32	Hotel operation

16 ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Share of net assets	—	35,822	—	—
Amounts receivable, less provision	6	947	6	191
	<u>6</u>	<u>36,769</u>	<u>6</u>	<u>191</u>
Investments at cost				
Unlisted shares	6,001	6,001	—	—
Listed shares in Hong Kong	—	80,900	—	—
	<u>6,001</u>	<u>86,901</u>	<u>—</u>	<u>—</u>
Market value of listed shares	—	15,550	—	—

The amounts receivable are unsecured, interest free and have no specific repayment terms.

16 ASSOCIATED COMPANIES (Continued)

Particulars of the associated companies are as follows:

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Principal activities
		2003	2002	
Genius Group International Limited	Hong Kong	20	20	Apparels and accessories trading
Grand Advance Investments Limited	Hong Kong	—	50	Property investment
Grand Sparkle Investments Limited	Hong Kong	50	50	Property development
INNOMAXX Biotechnology Group Limited (“INNOMAXX”)*	Bermuda/ Hong Kong	—	13	Investment holding

* The Group’s equity interest in INNOMAXX was diluted from 13% to 7% (2002: 20% to 13%) following the allotments and issue of new shares by INNOMAXX in 2003, resulting in a loss on deemed partial disposal of HK\$2,767,000 (2002: HK\$13,682,000). Following the issue of new shares by INNOMAXX, the Group ceased to exercise significant influence in the management of INNOMAXX and this investment has been reclassified as long-term investment (note 17) accordingly.

17 LONG-TERM INVESTMENTS

	GROUP		COMPANY	
	2003 HK\$’000	2002 HK\$’000	2003 HK\$’000	2002 HK\$’000
Unlisted shares, at cost	9,737	9,737	—	—
Listed shares, at valuation	88,662	—	—	—
Club debenture, at cost	1,942	1,942	1,942	1,942
	<u>100,341</u>	<u>11,679</u>	<u>1,942</u>	<u>1,942</u>
Market value of listed shares	<u>88,662</u>	<u>—</u>	<u>—</u>	<u>—</u>

Listed shares in Hong Kong represents the Group’s 7% equity interest in INNOMAXX (note 16) and unlisted shares represent the Group’s 8% equity interest in Beijing Glory Real Estate Development Company Limited, formerly a jointly controlled entity.

18 INVENTORIES

	GROUP	
	2003 HK\$'000	2002 HK\$'000
Completed properties	1,080	1,080
Finished goods	5,606	3,976
	6,686	5,056

The properties are stated at estimated realisable value based on professional valuations made by RHL Appraisal Limited, an independent valuer, on 31st December 2003 on an open market value basis.

As 31st December 2003, the carrying amount of finished goods that are carried at net realisable value amounted to HK\$1,026,000 (2002: nil).

19 INVESTMENTS HELD FOR SALE

The investments represented the Group's 42% equity interest in and amount receivable from Beijing Glory Real Estate Development Company Limited ("Beijing Glory"), formerly a jointly controlled entity. In August 2001, the Group entered into an agreement to dispose of this interest and amount receivable to an existing shareholder of Beijing Glory. The sale was completed in May 2003.

20 DEBTORS AND PREPAYMENTS

	GROUP		COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade debtors	6,684	4,225	—	—
Other debtors	1,776	4,681	29	—
Loan receivable	—	200	—	—
Deposits and prepayments	2,597	3,722	1,237	1,758
	11,057	12,828	1,266	1,758

Rental income from tenants is due and payable in advance. The credit terms granted to trade debtors in respect of sales of electronic components and management services are usually 30 to 90 days. The ageing analysis of the Group's trade debtors, based on the dates of the invoices, is as follows:

	2003 HK\$'000	2002 HK\$'000
Below 30 days	1,781	1,840
30 to 90 days	2,618	1,517
91 to 180 days	1,935	472
Over 180 days	350	396
	6,684	4,225

21 CASH AND BANK BALANCES

Cash and bank balances include a fixed deposit of HK\$2,000,000 (2002: HK\$2,000,000) pledged as securities for bank facilities granted to the Group.

22 CREDITORS AND ACCRUALS

	GROUP		COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade creditors	17,303	10,258	—	—
Other creditors	15,684	73,520	9,739	6,277
Amount due to a Director	5,000	12,087	5,000	12,087
Amount due to a related company	49	—	49	—
Accrued expenses	4,647	5,192	3,609	4,146
	<u>42,683</u>	<u>101,057</u>	<u>18,397</u>	<u>22,510</u>

The amount payable to the Director, Mr Tong Nai Kan, is unsecured, interest free and has no specific repayment terms. The ageing analysis of the Group's trade creditors, based on the dates of the invoices, is as follows:

	2003 HK\$'000	2002 HK\$'000
Below 30 days	1,722	1,514
30 to 90 days	4,724	3,536
91 to 180 days	10,803	5,208
Over 180 days	54	—
	<u>17,303</u>	<u>10,258</u>

23 SHORT-TERM LOANS

	GROUP AND COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Bank loan	—	3,500
Other loans		
Secured (<i>note a</i>)	—	3,000
Unsecured (<i>note b</i>)	5,148	5,800
	<u>5,148</u>	<u>12,300</u>
	<u>5,148</u>	<u>12,300</u>

- (a) The loan was secured by the Group's shareholding in INNOMAXX, a listed investment, and carried interest at a fixed rate of 18% per annum.
- (b) The loan is guaranteed by a Director, Mr Tong Nai Kan, carries interest at a fixed rate of 2% (2002: 2%) per month and has no specific repayment terms.

24 SHARE CAPITAL

	2003	2002
	HK\$'000	HK\$'000
Authorised:		
1,000,000,000 shares of HK\$0.25 (2002: HK\$1.00) each	250,000	1,000,000
	<u>250,000</u>	<u>1,000,000</u>
Issued and fully paid:		
490,584,391 shares of HK\$0.25 (2002: HK\$1.00) each	122,646	490,584
	<u>122,646</u>	<u>490,584</u>

Pursuant to a Special Resolution passed at an Extraordinary General Meeting held on 7th November 2003, the nominal value of every issued and unissued share of the Company was reduced from HK\$1.00 to HK\$0.25. The credit arising was credited to the accumulated loss of the Company.

Under the terms of the Company's share option scheme (the "Scheme") approved by the shareholders on 22nd May 2000, the Directors of the Company may, at their discretion, offer any employees (including any Directors) of the Company or of any of its subsidiary companies options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme.

All the options previously granted under the Scheme have been lapsed in 2002. During the year, no option has been granted and there was no outstanding share option as at 31st December 2003.

25 RESERVES

Group	Capital		Investment		Exchange reserve	Accumulated loss	Total
	Share premium	redemption reserve	Capital reserve	revaluation reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st December 2001	12,034	5,318	1,805	—	476	(358,930)	(339,297)
Changes in exchange rates	—	—	—	—	63	—	63
Loss for the year	—	—	—	—	—	(82,150)	(82,150)
At 31st December 2002	12,034	5,318	1,805	—	539	(441,080)	(421,384)
Change in exchange rates	—	—	—	—	(1)	—	(1)
Reduction of capital (note 24)	—	—	—	—	—	367,938	367,938
Revaluation surplus of long-term investments	—	—	—	58,216	—	—	58,216
Loss for the year	—	—	—	—	—	(39,448)	(39,448)
At 31st December 2003	12,034	5,318	1,805	58,216	538	(112,590)	(34,679)

Company	Capital		Accumulated loss	Total
	Share premium	redemption reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st December 2001	12,034	5,318	(293,185)	(275,833)
Loss for the year	—	—	(132,799)	(132,799)
At 31st December 2002	12,034	5,318	(425,984)	(408,632)
Reduction of capital	—	—	367,938	367,938
Loss for the year	—	—	(13,588)	(13,588)
At 31st December 2003	12,034	5,318	(71,634)	(54,282)

Accumulated loss of the Group included loss retained by a jointly controlled entity and associated companies amounting to nil (2002: HK\$11,458,000) and HK\$6,001,000 (2002: HK\$38,289,000) respectively. The loss attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of HK\$13,588,000 (2002: HK\$132,799,000).

The Company does not have any reserves available for distribution to the shareholders as calculated under Section 79B of the Hong Kong Companies Ordinance.

Pursuant to the reduction in capital of the Company (note 24), the Company has undertaken that in the event of its making any future recoveries in respect of the provisions against certain specific subsidiary companies by the Company as at 31st December 2002, all such recoveries up to a maximum amount of HK\$367,938,293, will be credited to a special capital reserve of the Company and shall not be available for distribution to the shareholders of the Company.

26 LONG-TERM LIABILITIES

	GROUP		COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank loans				
Secured	50,657	58,579	44,813	52,013
Unsecured	—	2,291	—	—
Obligations under finance leases				
wholly payable within five years	1,261	—	—	—
Advances from a Director	31,566	42,000	31,566	42,000
	83,484	102,870	76,379	94,013
Current portion included under current liabilities	(4,678)	(18,922)	(3,629)	(15,910)
	78,806	83,948	72,750	78,103

(a) The bank loans are repayable in the following years:

	GROUP		COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
2003	—	18,922	—	15,909
2004	4,387	4,999	3,629	4,241
2005	4,555	5,188	3,759	4,392
2006	4,729	5,385	3,892	4,548
2007	4,911	5,590	4,031	4,710
2008	5,099	5,803	4,174	4,878
2009 onwards	26,976	14,983	25,328	13,335
	50,657	60,870	44,813	52,013

26 LONG-TERM LIABILITIES (Continued)

(b) The finance lease obligations are payable in the following years:

	MINIMUM PAYMENTS		PRESENT VALUE	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2004	319	—	291	—
2005	319	—	291	—
2006	319	—	291	—
2007	319	—	291	—
2008	106	—	97	—
	<u>1,382</u>	<u>—</u>	<u>1,261</u>	<u>—</u>

(c) The advances from the Director, Mr Tong Nai Kan, are unsecured, interest free and have no specific repayment terms. The Director has however undertaken not to demand for repayment of these advances on or before May 2005.

27 COMMITMENTS

(a) Operating lease commitments

The future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases is payable in the following years:

	GROUP	
	2003	2002
	HK\$'000	HK\$'000
2003	—	508
2004	153	153
	<u>153</u>	<u>661</u>

(b) Operating lease rental receivable

The future aggregate minimum lease rental income in respect of land and buildings under non-cancellable operating leases is receivable in the following years:

	GROUP	
	2003	2002
	HK\$'000	HK\$'000
2003	—	720
2004	1,321	140
2005	295	—
	<u>1,616</u>	<u>860</u>

28 CONTINGENT LIABILITIES

- (a) The Company has provided guarantees in respect of loan facilities and finance lease obligations granted to subsidiary companies amounting to HK\$5,844,000 (2002: HK\$8,856,000) and HK\$1,261,000 (2002: nil) respectively.
- (b) The Company has provided guarantees to banks in respect of mortgage loans made available to the purchasers of properties developed by a former jointly controlled entity, Beijing Glory, in Mainland China. The outstanding guarantee for such mortgage loans amounted to HK\$2,325,000 (2002: HK\$3,179,000).

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating loss to cash used in operations

	2003 HK\$'000	2002 HK\$'000
Operating loss	(32,458)	(70,582)
Interest income	(15)	(39)
Depreciation	678	1,112
Provision against goodwill	25,000	—
Gain on disposal of a jointly controlled entity	(17,939)	—
Loss on deemed partial disposal of an associated company	2,767	13,682
Amortisation of goodwill	4,344	4,344
(Surplus)/deficit on revaluation of investment properties	(5,000)	13,350
Loss on disposal of property, plant and equipment	3	11,384
	<hr/>	<hr/>
Operating loss before working capital charges	(22,620)	(26,749)
Increase in inventories	(1,630)	(4,133)
Decrease in debtors and prepayments	1,771	19,809
Increase/(decrease) in creditors and accruals	3,609	(29,740)
	<hr/>	<hr/>
Cash used in operations	<u>(18,870)</u>	<u>(40,813)</u>

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)**(b) Analysis of changes in financing activities**

	Share capital and premium HK\$'000	Loans and finance lease obligations HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 31st December 2001	502,618	38,458	2,683	543,759
Minority interests in share of losses	—	—	(1,255)	(1,255)
Net cash inflow from financing activities	—	76,712	—	76,712
At 31st December 2002	502,618	115,170	1,428	619,216
Minority interests in share of losses	—	—	(1,405)	(1,405)
Reduction of capital	(367,938)	—	—	(367,938)
Inception of finance leases	—	1,455	—	1,455
Net cash outflow from financing activities	—	(27,993)	—	(27,993)
At 31st December 2003	134,680	88,632	23	223,335

30 RELATED PARTY TRANSACTIONS

The following is a summary of the significant related party transactions carried out in the normal course of the Group's business activities during the year:

	2003 HK\$'000	2002 HK\$'000
Rental income (<i>note a</i>)	749	—
Management fee income (<i>note b</i>)	613	—
Rental expense (<i>note c</i>)	—	741
Purchase of properties (<i>note d</i>)	—	76,920
	<u> </u>	<u> </u>

(a) The Group rented the office premises to China Kent Development Limited, a wholly owned subsidiary company of INNOMAXX, of which the Group was a substantial shareholder, at a consideration of HK\$80,298 per month from January 2003 to May 2003 and revised to HK\$58,000 per month from June 2003 onwards. The rental charge was arrived at with reference to open market rate of similar commercial properties in the same district.

(b) The Group also provided administrative support services to INNOMAXX for the period from January 2003 to August 2003 in return for a management fee of HK\$76,600 per month. The management fee was negotiated on an arm's length basis.

(c) In 2002, the Group paid rental expense to Lap Ho Properties Limited ("Lap Ho") on the lease of a property (the 'Property') amounting to HK\$741,000 based on the tenancy agreement between the parties. Lap Ho is a company beneficially owned by a Director of the Company, Mr Tong Nai Kan.

(d) In May 2002, the Group acquired the Property from Lap Ho at a consideration of HK\$76,000,000, which was arrived at with reference to open market value of similar properties in the same district and was negotiated on an arm's length basis based on normal commercial terms, pursuant to a sale and purchase agreement dated 5th October 2001.

In December 2002, the Group acquired an investment property from an associated company, Grand Sparkle Investments Limited, at a consideration of HK\$920,000, which was negotiated on an arm's length basis based on normal commercial terms.

31 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 21st April 2004.