1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 April 1998 under the Companies Law (Revised) of the Cayman Islands. Its shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 17 July 1998.

The principal activity of the Company is to act as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 12 to the financial statements. The Group principally invests in listed and unlisted companies in Hong Kong and in other parts of the People's Republic of China (the "PRC").

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements on pages 32 to 59 are prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which include all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations, issued by the Hong Kong Society of Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain investments in securities.

Adoption of a revised SSAP:

In the current year, the Group has adopted, for the first time, SSAP 12 (Revised) Income taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In prior years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where timing differences were not expected to reverse in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary 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, with limited exceptions.

In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. However, the adoption of SSAP 12 (Revised) has not resulted in any significant change to the current and prior years' net assets and results and accordingly, no prior year adjustment is required.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. All material inter-company transactions and balances within the Group are eliminated on consolidation.

(c) Subsidiaries

Subsidiaries are those enterprises controlled by the Company.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of enterprises so as to obtain benefits from their activities.

Subsidiaries are carried at cost less any impairment loss.

(d) Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value, as follows:

(i) Securities quoted, listed, traded or dealt in on any market are stated at the last transacted price on that market as at the official close of such market at the balance sheet date or the trading date immediately prior to the balance sheet date if it is not a trading date on that market.

(ii) Each unquoted security is stated at fair value as determined by the investment manager.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Investments in securities *(Continued)*

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, changes in fair value are recognised in the investment revaluation reserve until the security is sold, collected or otherwise disposed of, or until there is objective evidence that the security has been impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the income statement.

Transfers from the investment revaluation reserve to the income statement as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(e) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Income tax

Income tax for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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 tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Recognition of Revenue

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

Dividend income is recognised when the Group's right as a shareholder to receive payment is established.

Proceeds from the disposal of investments are recognised when a sale and purchase contract is entered into and title has been passed.

(h) Retirement benefits costs

The retirement benefits costs charged in the income statement represent the contributions payable to the Company's defined contribution scheme for the year.

(i) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at that date. Gains and losses arising on exchange are dealt with in the income statement.

(j) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

3. SEGMENT INFORMATION

All of the Group's turnover and contribution to operating results are attributable to its investment activities.

The Group invests in listed and unlisted companies in Hong Kong and in other parts of the PRC. These geographical markets are the basis on which the Group reports its primary segment information.

Segment information about these geographical markets is presented below :

	Hong Kong		PRC		Total	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**4**	598	**–**	278	**4**	876
Results						
Segment results	**(3,271)**	(12,058)	**(6,800)**	(10,839)	**(10,071)**	(22,897)
Unallocated corporate expenses					**(1,728)**	(4,178)
Loss from operations					**(11,799)**	(27,075)
Interest expense					**(61)**	(148)
Loss before taxation					**(11,860)**	(27,223)
Taxation					**52**	–
Loss attributable to shareholders					**(11,808)**	(27,223)
Assets						
Segment assets	**3,190**	8,473	**9,661**	17,005	**12,851**	25,478
Unallocated corporate assets					**145**	154
Total assets					**12,996**	25,632
Liabilities						
Segment liabilities	**(145)**	(1,776)	**–**	–	**(145)**	(1,776)
Unallocated corporate liabilities					**(507)**	(1,025)
Total liabilities					**(652)**	(2,801)
Other information						
Capital expenditure	**–**	208	**–**	–	**–**	208
Depreciation	**–**	(107)	**–**	–	**–**	(107)
Impairment loss recognised in income statement	**(2,000)**	(10,495)	**(6,800)**	(10,500)	**(8,800)**	(20,995)

4. TURNOVER

	2003	2002
	HK$'000	*HK$'000*
Interest income	**4**	698
Dividend income from listed investments	**–**	178
	4	876

5. LOSS ON DISPOSAL OF LISTED INVESTMENTS

The loss on disposal of listed investments arose from the disposal of investments in equity securities listed in Hong Kong. For the year ended 31 December 2003, included in the loss on disposal is a deficit of HK$426,000 (2002: HK$270,000) in respect of amounts released from the investment revaluation reserve at the time of the disposal as set out in the consolidated statement of changes in equity.

6. LOSS FROM OPERATIONS

	2003	2002
	HK$'000	*HK$'000*
Loss from operations is arrived at after charging/(crediting):		
Auditors' remuneration:		
– current year	**180**	217
– overprovision in prior year	**(36)**	–
Bad debts written off	**52**	–
Depreciation	**–**	107
Investment management fee *(Note 21(a))*	**335**	691
Loss on disposal of property, plant and equipment	**–**	267
Property, plant and equipment written off	**69**	–
Provision for amount due from a related company *(Note 21(c))*	**178**	–
Provision for bad and doubtful debts	**–**	420
Rental expenses	**106**	360
Retirement benefits scheme contributions	**14**	33
Staff costs (including directors' remuneration but excluding retirements benefits scheme contributions)	**566**	1,308

7. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Remuneration of the directors for the year is as follows:

	2003	2002
	HK$'000	*HK$'000*
Fees		
Executive directors	**60**	965
Non-executive directors	**79**	147
	139	1,112
Other emoluments		
Salaries, allowances and benefits in kind	**427**	–
Retirement benefits scheme contributions	**14**	23
	441	23
	580	1,135

The aggregate emoluments of each of the directors during both years were within the band ranging from Nil to HK$1,000,000.

(b) Remuneration of the employees for the year is as follows:

During the year, all five highest paid individuals are the directors, details of whose emoluments are set out in note 7(a) to the financial statements.

During the year ended 31 December 2002, the five highest paid individuals included four directors, details of whose emoluments are set out in note 7(a) to the financial statements. The emoluments of the remaining individual were as follows:

	2002
	HK$'000
Salaries, allowances and benefits in kind	107
Retirement benefits scheme contributions	5
	112

The aggregate emoluments of this remaining individual in prior year were within the band ranging from Nil to HK$1,000,000.

8. TAXATION

	2003	2002
	HK$'000	*HK$'000*
The tax credit comprises:		
Hong Kong Profits Tax – overprovision in prior year	**52**	–

No Hong Kong Profits Tax has been provided in the financial statements as the Group incurred losses for both years.

Reconciliation between accounting loss and tax credit at applicable tax rates:

	2003	2002
	HK$'000	*HK$'000*
Loss before taxation	**(11,860)**	(27,223)
Tax at applicable rate of 17.5% (2002: 16%)	**(2,076)**	(4,356)
Tax effect of non-deductible expenses	**1,316**	2,492
Tax losses not recognised as deferred tax asset	**760**	1,864
Over provision in prior year	**52**	–
Actual tax credit	**52**	–

In March 2003, the Hong Kong government announced an increase in the profits tax rate from 16% to 17.5%. This increase has been taken into account in the preparation of the Group's 2003 financial statements.

At 31 December 2003, a deferred tax asset of approximately HK$4,353,000 (2002: HK$3,593,000) in respect of tax losses available to offset future profits was not recognised in the financial statements as it is not certain that the Group will generate future taxable profits to enable it to utilise such tax losses.

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Of the consolidated loss attributable to shareholders of HK$11,808,000 (2002: HK$27,223,000), HK$18,036,000 (2002: HK$20,848,000) has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK$11,808,000 (2002: HK$27,223,000) and on the weighted average number of 137,884,932 (2002: 115,342,466) shares in issue during the year.

11. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Furniture, fixtures and equipment *HK$'000*
Cost	
At 1 January 2003	179
Written off during the year	(179)
At 31 December 2003	–
Accumulated depreciation	
At 1 January 2003	110
Written off during the year	(110)
At 31 December 2003	–
Net book value	
At 31 December 2003	**–**
At 31 December 2002	69

12. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**–**	–
Amounts due from subsidiaries	**49,003**	48,857
Less: Impairment loss recognised	**(39,345)**	(31,304)
	9,658	17,553

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. In the opinion of the directors, no part of the amount will be repayable within one year from the balance sheet date and the balances are therefore shown as non-current.

Details of the Company's subsidiaries at 31 December 2003 are as follows:

Name	Place of incorporation/ operations	Nominal value of issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company directly/indirectly*		Principal activity
			2003	2002	
Double Dragon Profits Limited	Hong Kong	HK$2	100%	100%	Inactive
Gold Canal International Limited ("Gold Canal")	British Virgin Islands	US$10	100%*	100%*	Investment holding
Good Place Investments Limited	Hong Kong	HK$2	100%	100%	Inactive
New Portfolio Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	Investment holding
Speedy Zone Limited	British Virgin Islands	US$1	100%	100%	Inactive

13. INVESTMENTS IN SECURITIES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Equity securities listed in Hong Kong, at cost	**–**	5,288	**–**	5,288
Unrealised gain/(loss)	**53**	(426)	**53**	(428)
Market value at 31 December *(Note 13(a))*	**53**	4,862	**53**	4,860
Unlisted equity security, at fair value *(Note 13(b))*	**9,661**	11,461	**–**	–
Unlisted convertible loan notes, at fair value *(Note 13(c))*	**–**	7,000	**–**	7,000
	9,714	23,323	**53**	11,860

Details of the Group's investments at 31 December 2003 are as follows:

(a) Equity securities listed on the Stock Exchange in Hong Kong:

Name of investee company	Place of incorporation	Number of shares/ warrants held	Proportion of investee's capital owned	Cost	Market value	Unrealised (loss)/gain arising on revaluation	Net assets attributable to the Group	
				HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
At 31 December 2003								
Shares:								
DIGITALHONGKONG.COM	Cayman Islands	648	0.0004%	–	–	–	–	*Note*
Riche Multi-Media Holdings Limited **	Bermuda	220,000	0.046%	–	53	53	156	*Note*
				–	53	53		
At 31 December 2002								
Shares:								
DIGITALHONGKONG.COM	Cayman Islands	648	0.0004%	–	–	–	–	*Note*
Kin Don Holdings Limited **	Cayman Islands	28,400,000	0.477%	1,151	539	(612)	165	*Note*
Kowloon Development Company Limited **	Hong Kong	241,000	0.05%	1,067	850	(217)	1,624	*Note*
Riche Multi-Media Holdings Limited **	Bermuda	960,000	0.202%	2,982	2,976	(6)	520	*Note*
				5,200	4,365	(835)		

13. INVESTMENTS IN SECURITIES *(Continued)*

(a) Equity securities listed on the Stock Exchange in Hong Kong: *(Continued)*

Name of investee company	Place of incorporation	Number of shares/ warrants held	Proportion of investee's capital owned	Cost	Market value	Unrealised (loss)/gain arising on revaluation
				HK$'000	*HK$'000*	*HK$'000*
Warrants:						
Champion Technology Holdings Limited		200,000		–	2	2
renren Holdings Limited **		44,000,000		88	440	352
Riche Multi-Media Holdings Limited **		220,000		–	55	55
				88	497	409
				5,288	4,862	(426)

** Equity securities directly held by the Company.

Note: The calculation of net assets attributable to the Group is based on the latest published interim reports or annual reports of the respective investee companies as available at the reporting date.

(b) Unlisted equity security:

Name of investee company	Place of incorporation	2003	2002
		HK$'000	*HK$'000*
天津標準國際建材工業有限公司 Tianjin Standard International Building Materials Industry Co., Ltd. ("Tianjin Standard") *(Note 13(d)(i))*	The PRC	**9,661**	11,461

13. INVESTMENTS IN SECURITIES *(Continued)*

(c) Unlisted convertible loan notes:

Issuer	Principal amount		Impairment loss recognised		Fair value		Interest rate	Maturity date
	2003	2002	**2003**	2002	**2003**	2002		
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*		
(a) Assets Planning Limited ("Assets Planning") * Unsecured *(Note 13(d)(ii))*	**9,500**	9,500	**(9,500)**	(7,500)	**-**	2,000	5% per annum	On default
(b) Dynamic Venture Enterprises Limited ("Dynamic Venture") Secured *(Note 13(d)(iii))*	**13,500**	13,500	**(13,500)**	(13,500)	**-**	–	8% per annum	On default
(c) Kellerton Industries Limited ("Kellerton") * Unsecured *(Note 13(d)(iv))*	**9,500**	9,500	**(9,500)**	(4,500)	**-**	5,000	2.5% – 5% per annum	On default
(d) JRB Limited ("JRB") * Unsecured *(Note 13(d)(v))*	**-**	9,000	**-**	(9,000)	**-**	–	16% per annum	–
(e) IPO43.com Limited ("IPO43.com") * Unsecured *(Note 13(d)(vi))*	**2,995**	2,995	**(2,995)**	(2,995)	**-**	–	5% per annum	On default
	35,495	44,495	**(35,495)**	(37,495)	**-**	7,000		

* Unlisted convertible loan notes directly held by the Company.

13. INVESTMENTS IN SECURITIES *(Continued)*

(d) *Notes:*

(i) Pursuant to various agreements entered into in December 2000, the Group acquired all the issued share capital of Gold Canal for a nominal value, changed the terms of the convertible loan note such that it has become interest-free and has neither fixed repayment terms nor the right to conversion. Gold Canal's sole asset is a 21% equity interest in Tianjin Standard, which is principally engaged in the manufacture and trading of building materials and the provision of related consultancy services. In the opinion of the directors, since the acquisition of Gold Canal by the Group, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Tianjin Standard. Accordingly, Tianjin Standard is accounted for as an unlisted equity security. The Group has made a further provision of HK$1,800,000 during the year to reduce the carrying value of its investment in Tianjin Standard to the Group's attributable share of the investee's net assets as at the balance sheet date, based on the audited financial statements of Tianjin Standard for the year ended 31 December 2003.

(ii) Pursuant to the subscription agreement entered into on 13 December 2001, the Group acquired a convertible loan note in the principal amount of HK$9,500,000 carrying the right to convert the loan note into shares in Assets Planning. The loan note was unsecured, bore interest at 5% per annum and had a maturity date on 31 December 2003. The Group had the right on any business day before the maturity date to convert the whole or part of the outstanding principal amount of the loan note into shares in Assets Planning using a predetermined formulae. On the maturity date, all outstanding principal amount together with any unpaid interest should be automatically converted into shares. In the event that upon full conversion of the loan note, the aggregate interest of the Group in the issued share capital of Assets Planning should be less than 2%, Assets Planning should issue and allot additional shares to the Group to make up for any shortfall. Assets Planning had defaulted on the payment of interest since 31 December 2002 and had not made any repayment of the outstanding principal as at 31 December 2003. No conversion of loan note into shares was made at the maturity date. The directors were unable to obtain the latest financial statements or any other pertinent financial information relating to Assets Planning from the investee's management. In light of the above, the directors have accordingly made a further impairment write down of HK$2,000,000 during the year to reduce the carrying value of this investment to Nil as at 31 December 2003. Subsequent to the year end on 16 April 2004, the Group disposed of this investment to a third party for a nominal sum of HK$1.

13. INVESTMENTS IN SECURITIES *(Continued)*

(d) *Notes: (Continued)*

(iii) Pursuant to the subscription agreement entered into on 14 January 1999 (the "Subscription Agreement"), the Group acquired a convertible loan note in the principal amount of HK$13,500,000 carrying the right to subscribe for the conversion shares in Dynamic Venture. The convertible loan note was secured on the entire share capital of Dynamic Venture, bore interest at 15% per annum and had a maturity date on 31 December 2000. The Group had the right on 31 March, 30 September and 31 December of each year, after the fulfillment of the conditions set out in the Subscription Agreement but before the maturity date to convert the whole or part of the outstanding principal amount of the loan note into shares in Dynamic Venture using a predetermined formulae. On the maturity date, all outstanding principal amount together with any unpaid interest should be repaid. On 21 March 2001, the Group entered into a deed of variation to change the interest rate from 15% per annum to 8% per annum. The maturity date was extended from 31 December 2000 to 31 December 2001, but from which date onwards, Dynamic Venture defaulted on the repayment of the convertible loan note. The Group had made a full impairment provision against this investment in the previous year. Subsequent to the year end on 16 April 2004, the Group disposed of its interest in this investment to a third party for a nominal sum of HK$1.

(iv) Pursuant to the subscription agreement entered into on 13 December 2001, the Group acquired a convertible loan note in the principal amount of HK$9,500,000 carrying the right to convert the loan note into shares in Kellerton. On 15 April 2003, the Group entered into an agreement with Kellerton to change the interest rate from 5% per annum to 2.5% per annum. The loan note was unsecured, bore interest at 2.5% per annum and had a maturity date on 31 December 2003. The Group had the right on any business day before the maturity date to convert the whole or part of the outstanding principal amount of the loan note into shares in Kellerton using a predetermined formulae and with reference to the valuation of Kellerton's investments. On the maturity date, all outstanding principal amount together with any unpaid interest should automatically be converted. Kellerton defaulted on the payment of interest for the year ended 31 December 2003 and had not made any repayment of the outstanding principal as at 31 December 2003. No conversion of loan note into shares was made at the maturity date. The directors were unable to obtain the latest financial statement or any other pertinent financial information relating to Kellerton from the investee's management. In light of the above, the directors have accordingly made a further impairment write down of HK$5,000,000 during the year to reduce the carrying value of this investment to Nil as at 31 December 2003. Subsequent to the year end on 16 April 2004, the Group disposed of this investment to a third party for a nominal sum of HK$1.

13. INVESTMENTS IN SECURITIES *(Continued)*

(d) *Notes: (Continued)*

(v) Pursuant to the subscription agreement entered into on 30 November 1998, the Group acquired a convertible loan note in the principal amount of HK$9,000,000 carrying the right to convert the loan note into shares in JRB. The convertible loan note was secured, bore interest at 16% per annum and had a maturity date on 31 May 1999. On the maturity date, all outstanding principal amount together with any unpaid interest should be repaid. However JRB defaulted on the repayment of its convertible loan note in the sum of approximately HK$9,363,000 including accrued interest to the scheduled date of repayment. The Company had filed a legal action against JRB for the recovery of the debt. A full impairment provision was made against the carrying value of this investment in the previous year. On 29 December 2003, the Group assigned all the rights and title to claim against JRB Limited of the sum of HK$19,657,000 (which comprises the above sum of HK$9,363,000 and the overdue interest of HK$10,294,000) to a third party at a consideration of HK$30,000. On 22 March 2004, a consent order was signed and all legal claims were dismissed.

(vi) Pursuant to the subscription agreement entered into 13 December 2001, the Group acquired a convertible loan note in the principal amount of HK$2,995,000 carrying the right to convert the loan note into shares in IPO43.com. The loan note was unsecured, bore interest at 5% per annum and had a maturity date on 31 December 2003. The Group had the right on any business day before the maturity date to convert the whole or part of the outstanding principal amount of the loan note into shares in IPO43.com using a predetermined formulae. On the maturity date, all outstanding principal amount together with any unpaid interest should automatically be converted. In the event that upon full conversion of the loan note, the aggregate interest of the Group in the issued share capital of IPO43.com was less than 3%, IPO43.com should issue and allot additional shares to the Group to make up for any shortfall. IPO43.com had defaulted on the payment of interest since 31 December 2002 and had not made any repayment of the outstanding principal as at 31 December 2003. No conversion of loan note was made into shares at the maturity date. The Group had made a full impairment provision against this investment in the previous year. Subsequent to the year end on 16 April 2004, the Group disposed of this investment to a third party for a nominal sum of HK$1.

14. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group and the Company at 31 December 2003 are trade receivables of Nil (2002: HK$25,000) which was aged within 0 – 60 days.

The Group has no credit policy on trade receivables which represent interest income and dividend income receivable from investments.

15. AMOUNT DUE FROM A RELATED COMPANY

	At 31 December 2003 *HK$'000*	At 1 January 2003 *HK$'000*	Maximum balance outstanding during the year *HK$'000*
SAR Capital Limited	**–**	178	178

Mr. Tai Ah Lam, Michael, a director of the Company, is a director of and has beneficial interests in the above company.

16. SECURED LOAN – DUE WITHIN ONE YEAR

The loan was secured by certain of the Group's equity securities listed in Hong Kong with market value of approximately HK$1,389,000 as at 31 December 2002 and was interest bearing at 24% per annum. The loan was fully repaid during the year.

17. AMOUNTS DUE TO DIRECTORS

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

18. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2003	2002	**2003**	2002
			HK$'000	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**200,000,000**	200,000,000	**2,000**	2,000
Issued and fully paid:				
At 1 January	**120,000,000**	100,000,000	**1,200**	1,000
Shares issued on 15 March 2002	**–**	20,000,000	**–**	200
Shares issued on 3 April 2003	**24,000,000**	–	**240**	–
At 31 December	**144,000,000**	120,000,000	**1,440**	1,200

On 27 February 2003, the Company entered into a placing agreement for the placing of 24,000,000 new shares ("Placing Shares") at a price of HK$0.04 per Placing Share (the "Placement"). The Placing Shares represented 20% of the then existing issued share capital of the Company. Upon completion of the Placement on 3 April 2003, the Placing shares represented approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Placing Shares. The net proceeds of the Placement of approximately HK$842,000 have been used as additional working capital of the Company and have not been utilised for investment. The Placing Shares ranked pari passu with the existing shares in all respects.

19. RESERVES

Group

	2003	2002
	HK$'000	*HK$'000*
Share premium	**101,127**	100,525
Investment revaluation reserve	**53**	(426)
Accumulated losses	**(90,276)**	(78,468)
	10,904	21,631

Movements in the Group's reserves during the year are set out in the consolidated statement of changes in equity on page 35 to the financial statements.

Company

	Share premium	**Investment revaluation reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002	94,117	–	(51,388)	42,729
Unrealised loss arising on revaluation of investments	–	(428)	–	(428)
Shares issued at premium	6,800	–	–	6,800
Share issue expenses	(392)	–	–	(392)
Loss for the year	–	–	(20,848)	(20,848)
At 31 December 2002 and 1 January 2003	100,525	(428)	(72,236)	27,861
Unrealised gain arising on revaluation of investments	–	53	–	53
Deficit released on disposal of other securities *(note 5)*	–	428	–	428
Shares issued at premium	720	–	–	720
Share issue expenses	(118)	–	–	(118)
Loss for the year	–	–	(18,036)	(18,036)
At 31 December 2003	101,127	53	(90,272)	10,908

19. RESERVES *(Continued)*

Company *(Continued)*

The investment revaluation reserve represents the net unrealised gain on revaluation of non-trading investments at the balance sheet date.

In accordance with the Company's Articles of Association, as at the balance sheet date, the Company's reserves available for distribution to shareholders is its share premium less accumulated losses.

Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

20. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2003 of HK$12,344,000 (2002: HK$22,831,000) and 144,000,000 (2002: 120,000,000) ordinary shares in issue as at that date.

21. RELATED PARTY TRANSACTIONS

During the year, the Company had the following related party transactions:

	2003 ***HK$'000***	2002 *HK$'000*
Haywood Investment Management Limited:		
Management fee expenses *(Note a)*	**335**	691
SAR Capital Limited:		
Rental income *(Note b)*	**–**	81
Provision against amount due from related company *(Note c)*	**178**	–

21. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(a) The management fee was charged in accordance with the management agreement dated 6 July 1988 (the "Agreement"). Management fees and incentive fees are calculated at 1.5% per annum of the net asset value of the Company at each preceding month end as defined in the Agreement and 10% of the surplus in the net asset value (with appropriate adjustment) over the preceding financial year, respectively, in accordance with the Agreement.

No incentive fee was paid in the current or previous year as the Group's net asset value decreased in both years.

Haywood Investment Management Limited is a company in which Mr. Wong Fong Kim, a director of the Company had a 9% beneficial interests as at 31 December 2003.

(b) The rental income was earned on the lease of furniture, fixtures and equipment to SAR Capital Limited. Mr. Tai Ah Lam, Michael, a director of the Company, is also a director of and has beneficial interests in this company.

(c) During the year, the Company made full provision of HK$178,000 due from SAR Capital Limited, a related company in which a director of the Company, Mr. Tai Ah Lam, Michael has a beneficial interest.

22. OPERATING LEASE COMMITMENTS

At 31 December 2003, the total future minimum lease payments under a non-cancellable operating lease in respect of rented premises are payable as follows :

	2003 *HK$'000*	2002 *HK$'000*
Within one year	**–**	339

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

24. POST BALANCE SHEET EVENT

On 10 March 2004, the Company entered into a placing agreement for the placing of 28,800,000 new shares ("Placing Shares") through a placing agent, Koffman Securities Limited, to more than six independent investors who were not connected persons of the Company (as defined under the Listing Rules), at a price of HK$0.124 per Placing Share (the "Placement"). The Placing Shares represented 20% of the then existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of 28,800,000 placing shares. The Placing Shares, when fully paid, ranked pari passu in all respects with the existing issued share capital of the Company. The Placement was completed on 29 March 2004. The net proceeds from the Placement of approximately HK$3,370,000 will be used as additional working capital of the Company.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 32 to 59 were approved by the board of directors on 28 April 2004.