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 14 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

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

(a) Basis of preparation

The financial statements on pages 19 to 51 are prepared in accordance with and comply with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 investments in securities.

(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 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 losses.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

(i) Depreciation

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

Leasehold improvements	50%
Furniture, fixtures and equipment	20%

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

(ii) Measurement bases

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the assets to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets. When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement.

(e) Leases

Finance leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets to the group. Assets acquired by way of finance leases are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the leases. The corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Finance charges implicit in the lease payments are charged to the income statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Leases *(Continued)*

Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

(f) 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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Investments in securities *(Continued)*

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.

(g) 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 accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

(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.

(h) 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Income tax *(Continued)*

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.

(i) Recognition of Revenue

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Retirement benefits costs

The group contributes to a defined contribution retirement benefit scheme which is available to all employees. Contributions to the scheme by the group and employees are calculated as a percentage of employees' basic salaries. The retirement benefits cost charged to the income statement represents contributions payable to the company to the scheme and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contribution.

The group's contributions to the defined contribution retirement benefit scheme are expensed as incurred.

The assets of the scheme are held separately from those of the group in an independently administered fund.

(k) 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.

(l) 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.

(m) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

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	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**49**	4	**–**	–	**49**	4
Results						
Segment results	**(3,575)**	(3,271)	**(744)**	(6,800)	**(4,319)**	(10,071)
Unallocated corporate expenses					**(2,781)**	(1,728)
Loss from operations					**(7,100)**	(11,799)
Interest expense					**(7)**	(61)
Loss before taxation					**(7,107)**	(11,860)
Taxation					**–**	52
Loss attributable to shareholders					**(7,107)**	(11,808)
Assets						
Segment assets	**3,564**	3,190	**8,917**	9,661	**12,481**	12,851
Unallocated corporate assets					**206**	145
Total assets					**12,687**	12,996
Liabilities						
Segment liabilities	**(66)**	(145)	**–**	–	**(66)**	(145)
Unallocated corporate liabilities					**(1,531)**	(507)
Total liabilities					**(1,597)**	(652)
Other information						
Capital expenditure	**284**	–	**–**	–	**284**	–
Depreciation	**(35)**	–	**–**	–	**(35)**	–
Impairment loss recognised in income statement	**(3,064)**	(2,000)	**(744)**	(6,800)	**(3,808)**	(8,800)

4. TURNOVER

	2004	2003
	HK$'000	*HK$'000*
Interest income	**49**	4

5. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INVESTMENTS IN SECURITIES

	2004	2003
	HK$'000	*HK$'000*
Unlisted equity securities:		
– Tianjin Standard *(note 15(d)(i))*	**744**	1,800
– Koffman Asset *(note 15(d)(iii))*	**3,064**	–
Unlisted convertible loan notes:		
– Asset Planning	**–**	2,000
– Kellerton	**–**	5,000
	3,808	8,800

6. 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 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.

7. LOSS FROM OPERATIONS

	2004 *HK$'000*	2003 *HK$'000*
Loss from operations is arrived at after charging/(crediting):		
Auditors' remuneration:		
– current year	**197**	180
– overprovision in prior year	**(12)**	(36)
Bad debts written off	**–**	52
Depreciation		
– owned assets	**24**	–
– leased assets	**11**	–
Investment management fee	**203**	335
Loss on disposal of property, plant and equipment	**10**	–
Property, plant and equipment written off	**–**	69
Provision for amount due from a related company *(Note 22(b))*	**–**	178
Operating lease charges on office premises	**446**	106
Retirement benefits scheme contributions	**43**	14
Staff costs (including directors' remuneration but excluding retirement benefits scheme contributions)	**1,018**	566

8. FINANCE COSTS

	2004 *HK$'000*	2003 *HK$'000*
Finance charges on finance leases	**5**	–
Interest charges on		
– other loan	**2**	–
– secured loan wholly repayable within five years	**–**	61
	7	61

9. DIRECTORS' AND EMPLOYEES' REMUNERATION

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

	2004 *HK$'000*	2003 *HK$'000*
Fees		
Executive directors	–	60
Non–executive directors	–	20
Independent non-executive directors	**217**	59
	217	139
Other emoluments		
Salaries, allowances and benefits in kind	**240**	427
Retirement benefits scheme contributions	**8**	14
	248	441
	465	580

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

No directors waived or agreed to waive any emoluments in respect of the years ended 31 December 2004 and 2003.

9. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2003: five) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2003: Nil) individuals during the year are as follows:

	2004	2003
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**344**	–
Retirement benefits scheme contributions	**10**	–
	354	–

The aggregate emoluments of these remaining individuals were within the band ranging from Nil to HK$1,000,000.

No emoluments were paid to the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2004 and 2003.

10. TAXATION

	2004	2003
	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 do not have any assessable profits for both years.

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

	2004	2003
	HK$'000	*HK$'000*
Loss before taxation	**(7,107)**	(11,860)
Tax at applicable rate of 17.5%	**(1,244)**	(2,076)
Tax effect of non-deductible expenses	**709**	1,316
Tax losses not recognised as deferred tax asset	**535**	760
Over provision in prior year	–	52
Actual tax credit	–	52

At 31 December 2004, a deferred tax asset of approximately HK$2,236,000 (2003: HK$4,353,000) 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. This tax loss has no expiry date.

11. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Of the consolidated loss attributable to shareholders of HK$7,107,000 (2003: HK$11,808,000), HK$7,084,000 (2003: HK$18,036,000) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK$7,107,000 (2003: HK$11,808,000) and on the weighted average number of 22,337,049 (2003: 19,384,110, restated) shares in issue during the year after adjusting for the effect of the Share Consolidation subsequent to the balance sheet date. Further details of the Share Consolidation are set out in note 24. The weighted average number of shares in issue for the previous year have similarly been adjusted for the effect of the Share Consolidation.

Diluted loss per share amounts have not been presented because there were no potential ordinary shares in existence for both years.

13. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost			
At 1 January 2004	–	–	–
Additions	29	255	284
Disposals	–	(24)	(24)
At 31 December 2004	29	231	260
Accumulated depreciation			
At 1 January 2004	–	–	–
Charge for the year	7	28	35
Disposals	–	(2)	(2)
At 31 December 2004	7	26	33
Net book value			
At 31 December 2004	**22**	**205**	**227**
At 31 December 2003	–	–	–

The cost of property, plant and equipment includes an amount of HK$80,000 in respect of assets held under finance leases (2003: Nil) and the related accumulated depreciation amounts to HK$11,000 (2003: Nil).

14. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**–**	–
Amounts due from subsidiaries	**51,204**	49,003
Less: Impairment loss	**(40,089)**	(39,345)
	11,115	9,658

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 2004 are as follows:

Name	**Place of incorporation/ operations**	**Particulars of issued capital**	**Percentage of issued capital held by the Company**		**Principal activity**
			Directly	**Indirectly**	
Double Dragon Profits Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	–	Provision of management services
Gold Canal International Limited ("Gold Canal")	British Virgin Islands	10 ordinary shares of US$1 each	–	100%	Investment holding
Good Place Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	–	Inactive
New Portfolio Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1 each	100%	–	Investment holding
Speedy Zone Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Inactive

15. INVESTMENTS IN SECURITIES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Equity securities listed in Hong Kong, at cost	**–**	–	**–**	–
Unrealised gain	**47**	53	**47**	53
Market value at 31 December *(Note 15(a))*	**47**	53	**47**	53
Unlisted equity security, at fair value *(Note 15(b))*	**9,417**	9,661	**–**	–
Unlisted convertible loan notes, at fair value *(Note 15(c))*	**–**	–	**–**	–
	9,464	9,714	**47**	53

15. INVESTMENTS IN SECURITIES *(Continued)*

Details of the Group's investments at 31 December 2004 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 HK$'000	Market value HK$'000	Unrealised (loss)/gain arising on revaluation HK$'000	Net assets attributable to the Group HK$'000	
At 31 December 2004								
Shares:								
DIGITALHONGKONG .COM	Cayman Islands	648	0.0004%	–	–	–	–	*Note*
Riche Multi-Media Holdings Limited **	Bermuda	220,000	0.046%	–	47	47	138	*Note*
				–	**47**	**47**		
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		

** *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.

15. INVESTMENTS IN SECURITIES *(Continued)*

(b) Unlisted equity security:

Name of investee company	Place of incorporation	Cost		Revaluation surplus/ (deficit and/or Impairment#)		Fair value	
		2004	2003	**2004**	2003	**2004**	2003
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***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 15(d)(i))*	The PRC	**17,461**	17,461	**(8,544)#**	(7,800)#	**8,917**	9,661
Standard Supplies Limited ("Standard Supplies") *(Note 15(d)(ii))*	Hong Kong	**500**	–	**–**	–	**500**	–
Koffman Asset Holdings Limited ("Koffman Asset") *(Note 15(d)(iii))*	British Virgin Islands	**3,064**	–	**(3,064)#**	–	**–**	–
		21,025	17,461	**(11,608)#**	(7,800)#	**9,417**	9,661

(c) Unlisted convertible loan notes:

Issuer	Principal amount		Impairment loss recognised		Fair value		Interest rate	Maturity date
	2004	2003	**2004**	2003	**2004**	2003		
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*		
(a) Assets Planning Limited ("Assets Planning") * Unsecured *(Note 15(d)(iv))*	–	9,500	–	(9,500)	–	–	5% per annum	On default
(b) Dynamic Venture Enterprises Limited ("Dynamic Venture") Secured (Note 15(d)(v))	–	13,500	–	(13,500)	–	–	8% per annum	On default
(c) Kellerton Industries Limited ("Kellerton") * Unsecured (Note 15(d)(vi))	–	9,500	–	(9,500)	–	–	2.5% – 5% per annum	On default
(d) IPO43.com Limited ("IPO43.com") * Unsecured (Note 15(d)(vii))	–	2,995	–	(2,995)	–	–	5% per annum	On default
	–	35,495	–	(35,495)	–	–		

* *Unlisted convertible loan notes directly held by the Company.*

15. 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. Based on Tianjin Standard's audited PRC financial statements for 2004, the company increased its turnover 11% but continued to make losses. Tianjin Standard also made losses in the previous two years totaling around RMB19 million. For sake of prudence, an additional impairment charge of HK$744,000 was made for the year after taking into account the current year's result.

(ii) The Group applied to subscribe 425,000 class "A" shares and 75,000 class "B" shares of Standard Supplies at the consideration of HK$500,000 on 19 October 2004. On the same date, Standard Supplies accepted the application and issued the share certificate to the Group. The Group owned 25% of Standard Supplies' shareholding after subscription which is principally involved in the trading of flooring materials in Hong Kong and PRC. In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Standard Supplies. Accordingly, Standard Supplies is accounted for as an unlisted equity security. With reference to the management accounts as at 31 December 2004, the directors considered that no adjustment was necessary to the carrying value of this investment.

15. INVESTMENTS IN SECURITIES *(Continued)*

(d) *Notes: (Continued)*

(iii) Pursuant to the subscription agreement entered into 5 May 2004, the Group subscribed for 10 new shares of Koffman Asset at the consideration of HK$3,063,720 representing a 9.1% equity interest in that company. The consideration was satisfied by setting off against the same amount of loan owed by Koffman Professional Insurance Brokerage Limited, a subsidiary of Koffman Asset. Koffman Asset is a company principally involved in an insurance brokerage business operated in Hong Kong. The directors understand that Koffman Asset is currently in financial difficulties and has ceased operations on or around December 2004 and were unable to obtain the latest financial statements or any other pertinent financial information relating to Koffman Asset. In light of the above, the directors have accordingly made an impairment charge against the investment cost during the year to reduce the carrying value of this investment to Nil as at 31 December 2004.

(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 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 defaulted on the payment of interest and had not made any repayment of the outstanding principal since 31 December 2002. 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 had accordingly written down the carrying value of this investment to Nil in prior year. On 16 April 2004, the Group disposed of this investment to a third party for a nominal sum of HK$1.

15. INVESTMENTS IN SECURITIES *(Continued)*

(d) *Notes: (Continued)*

(v) 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. On 16 April 2004, the Group disposed of its interest in this investment to a third party for a nominal sum of HK$1.

(vi) 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 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 had accordingly written down the carrying value of this investment to Nil in prior year. On 16 April 2004, the Group disposed of this investment to a third party for a nominal sum of HK$1.

15. INVESTMENTS IN SECURITIES *(Continued)*

(d) *Notes: (Continued)*

(vii) 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. On 16 April 2004, the Group disposed of this investment to a third party for a nominal sum of HK$1.

16. OBLIGATIONS UNDER FINANCE LEASES

Group and Company

	2004	2003
	HK$'000	*HK$'000*
The analysis of the obligations under finance leases is as follows:		
Due within one year	**20**	–
Due in the second to fifth years	**59**	–
	79	–
Future finance charges on finance leases	**(13)**	–
Present value of finance lease liabilities	**66**	–
The present value of finance lease liabilities is as follows:		
Due within one year	**14**	–
Due in the second to fifth years	**52**	–
	66	–
Less: Portion due within one year included under current liabilities	**(14)**	–
Non-current portion included under non-current liabilities	**52**	–

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	
	2004	2003	**2004**	2003
			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	**144,000,000**	120,000,000	**1,440**	1,200
Shares issued on 3 April 2003	**–**	24,000,000	**–**	240
Share issued on 29 March 2004	**28,800,000**	–	**288**	–
Share issued on 4 August 2004	**27,200,000**	–	**272**	–
At 31 December	**200,000,000**	144,000,000	**2,000**	1,440

On 10 March 2004, the Company entered into a placing agreement for the placing of 28,800,000 new shares ("Placing Shares") 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. Upon completion of the Placement on 29 March 2004, the Placing shares represented approximately 16.7% of the issued share capital of the Company as enlarged by the issue of 28,800,000 placing shares. The net proceeds of the Placement of approximately HK$3,408,000 have been used as additional working capital of the Company. The Placing Shares rank pari passu in all respects with the existing issued share capital of the Company.

On 10th June 2004, the Company entered into a subscription agreement to allot and issue 27,200,000 new shares ("Subscription Shares") to a subscriber in cash at a subscription price of HK$0.10 per Subscription Share. The Subscription Shares represented approximately 15.7% of the then existing issued share capital of the Company. Upon completion of the Subscription on 4 August 2004, the Placing shares represented approximately 13.6% of the issued share capital of the Company as enlarged by the issue of 27,200,000 Subscription Shares. The net proceeds from the issue of the subscription shares of approximately HK$2,451,000 have been used for investment purposes. The Subscription Shares rank pari passu in all respects with the existing issued share capital of the Company.

18. SHARE CAPITAL *(Continued)*

Share option scheme

The Company has adopted a share option scheme (the "Scheme") on 23 May 2002. The directors may, at their absolute discretion, make an offer to any participant to take up options. An offer is deemed to have been accepted by the grantee upon the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee and paying HK$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the Scheme shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date on which an option is granted, (ii) the average closing prices of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date on which an option is granted, and (iii) the nominal value of a share of the Company on the date on which an option is granted.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 12,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. An option may be exercised during a period to be notified by the directors but may not be exercised after the expiry of 10 years after the date of grant of the option.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted or to be granted to each participant under the Scheme in any 12-month period must not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting. The Scheme will remain in force for a period of 10 years from 23 May 2002.

No options have been granted since the adoption of the Scheme.

19. RESERVES

Group

	2004 *HK$'000*	2003 *HK$'000*
Share premium	**106,426**	101,127
Investment revaluation reserve	**47**	53
Accumulated losses	**(97,383)**	(90,276)
	9,090	10,904

Movements in the Group's reserves during the year are set out in the consolidated statement of changes in equity on page 22 to the financial statements.

Company

	Share premium *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 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 6)*	–	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 and 1 January 2004	101,127	53	(90,272)	10,908
Unrealised loss arising on revaluation of investments	–	(6)	–	(6)
Shares issued at premium	5,731	–	–	5,731
Share issue expenses	(432)	–	–	(432)
Loss for the year	–	–	(7,084)	(7,084)
At 31 December 2004	**106,426**	**47**	**(97,356)**	**9,117**

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.

Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for distributions or paying 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 2004 of HK$11,090,000 (2003: HK$12,344,000) and 80,000,000 (2003: 57,600,000, restated) ordinary shares in issue as at that date after adjusting for the effect of the Share Consolidation subsequent to the balance sheet date.

21. MAJOR NON-CASH TRANSACTIONS

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$80,000.

22. RELATED PARTY TRANSACTIONS

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

	2004 ***HK$'000***	2003 *HK$'000*
Haywood Investment Management Limited:		
Management fee expenses *(Note a)*	**103**	335
SAR Capital Limited:		
Provision against amount due from related company *(Note b)*	–	178

22. 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. The Group entered into an agreement with Haywood Investment Management Limited on 4 March 2004, whereby both parties have conditionally agreed to terminate the above mentioned 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 has a 9% beneficial interest.

(b) 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, in 2003.

23. CONTINGENT LIABILITIES

At 31 December 2004 and 31 December 2003, both the Group and the Company had no material contingent liabilities.

24. POST BALANCE SHEET EVENT

Pursuant to the Shareholders' approval at the Extraordinary General Meeting held on 17 March 2005, the Company increased the authorized share capital of the Company from HK$2,000,000 divided into 200,000,000 shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 shares of HK$0.01 each by creation of an additional 800,000,000 unissued shares of HK$0.01 each. At the same time, the Share Consolidation was executed and the board lot size for trading in the ordinary shares in the capital of the Company was changed from 2,000 shares to 20,000 New Shares.

On 28 January 2005, the Company entered into an underwriting agreement for the open offer of new shares on the basis of one offer share for every New Share held on record date ("Open Offer") through two underwriters, Orient Securities Limited and Kingston Securities Limited. An ordinary resolution in respect of the Open Offer was passed at the Extraordinary General Meeting held on 17 March 2005. The Offer Shares, when fully paid, rank pari passu in all respects with the existing share capital of the Company. The Open Offer was completed on 18 April 2005. The net proceeds from the Open Offer of approximately HK$4.5 million will be used for future investment purposes which will be invested in accordance with the Company's investment policy of investing in listed and unlisted companies in Hong Kong and the PRC to achieve medium term capital appreciation.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 19 to 51 were approved by the board of directors on 26 April 2005.