Corporate Infomation

BOARD OF DIRECTORS

Executive Directors:

Mr. Wong Fong Kim *(Chairman)*
Mr. Lok Kung Yao, Perry
Mr. Tai Ah Lam, Michael

Non-executive Directors:

Mr. Chang Hang Vai
Mr. Lam Shu Chung

Independent Non-executive Directors:

Dr. Wong Yun Kuen, Edward
Mr. Hsieh Dominick
Mr. Chang Kin Man

COMPANY SECRETARY

Mr. Chu Kin Wang, Peleus

INVESTMENT MANAGER

Haywood Investment Management Limited

DIRECTORS OF INVESTMENT MANAGER

Mr. Lee Fong Lit, David
Dr. Chow Pok Yu, Augustine

PRINCIPAL BANKERS

Wing Hang Bank, Limited
DBS Bank (Hong Kong) Limited

CUSTODIAN

Wing Hang Bank, Limited

AUDITORS

Grant Thornton

LEGAL ADVISERS

Hong Kong Law

Michael Li & Co

Cayman Islands Law

Maples and Calder Asia

PRINCIPAL REGISTRARS

Bank of Butterfield International
(Cayman) Limited
Butterfield House
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

BRANCH REGISTRARS

Secretaries Limited
28/F., BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

REGISTERED OFFICE

Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

11/F., Ying Kong Mansion
2-6 Yee Wo Street
Causeway Bay
Hong Kong

NOTICE IS HEREBY GIVEN that an annual general meeting of the Company will be held at Pacific Room, Island Pacific Hotel, 152 Connaught Road West, Hong Kong on Tuesday, 1st June, 2004 at 10:00 a.m. for the following purposes:

1. To receive and adopt the audited financial statements and the reports of the directors and auditors for the year ended 31st December, 2003.

2. To re-elect retiring directors and to fix the remuneration of directors.

3. To re-appoint auditors and to authorise the directors to fix their remuneration.

As special business, to consider and, if thought fit, pass the following resolutions, which will be proposed with or without amendments, as ordinary resolutions and special resolution of the Company:

ORDINARY RESOLUTIONS

4. "**THAT**:

   (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK$0.01 each in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares as scrip dividends pursuant to the articles of association of the Company from time to time; or (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for grant or issue of shares or rights to acquire shares of the Company; shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held; or

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares of the Company on the register on fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company)."

5. "**THAT**:

(a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK$0.01 each in the capital of the Company on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company which the Directors of the Company is authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution; and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held; or

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting."

6. "**THAT** subject to the passing of Resolutions No. 4 and No. 5 set out in the notice convening the meeting, the general mandate granted to the Directors of the Company to allot, issue and deal with additional shares pursuant to Resolution No. 4 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 5 set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said Resolution."

SPECIAL RESOLUTION

7. "**THAT** the Articles of Association of the Company be amended as follows:

(1) By deleting the definition of "Associates" in Article 142 and replacing it with "(Intentionally Deleted)". Then substituting thereof the following new definition of Associate in Article 2 of the Articles of Association:

"Associate" shall mean, in relation to any Director:

(i) his spouse and any of his or his spouse's children or stepchildren, natural or adopted, under the age of 18 ("family interests");

(ii) the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object and any company ("trustee-controlled company") in the equity capital of which the trustees, acting in their capacity as such trustees, are directly or indirectly interested so as to exercise or control the exercise of 30 per cent. (or such other amount as may from time to time be specified in the HK Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the Board and any other company which is its subsidiary (together, the "trustee interests");

(iii) a holding company of a trustee-controlled company or subsidiary of any such holding company;

(iv) any company in the equity capital of which he, his family interests, any of the trustees referred to in (ii) above, acting in their capacity as such trustees, and/or any trustee interests taken together are directly or indirectly interested (other than through their respective interests in the capital of the Company) so as to exercise or control the exercise of 30 per cent. (or such other amount as may from time to time be specified in the HK Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the Board and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company; and

(v) any other persons who would be deemed as an "Associate" of the Director under the Listing Rules.

(2) By inserting the following new definitions in Article 2 of the Articles of Association:

"the Company's Website" shall mean the website of the Company, the address or domain name of which has been notified to members;

"electronic" shall have the meaning given to it in the Electronic Transactions Law 2000 of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor;

"Electronic Signature" means an electronic symbol or process attached to or logically associated with an electronic communication and executed or adopted by a person with the intent to sign the electronic communication;

(3) By deleting the definition "published in the newspapers" as set out in Article 2 of the Articles of Association and replacing it with the following:

"published in the newspapers" means published as a paid advertisement in English in at least one English language newspaper and in Chinese in at least one Chinese language newspaper, being in each case a newspaper published daily and circulating generally in Hong Kong in accordance with the Listing Rules.

(4) By deleting the definition "recognised clearing house" as set out in Article 2 of the Articles of Association and replacing it with the following:

"recognised clearing house" shall have the meaning ascribed thereto in Part I of Schedule 1 of the Securities and Futures Ordinance of Hong Kong and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor;

(5) By deleting the definition "subsidiary and holding company" as set out in Article 2 of the Articles of Association and replacing it with the following:

"subsidiary" and "holding company" shall have the meanings attributed to such terms in the Companies Ordinance, but interpreting the term "subsidiary" in accordance with the definition of "subsidiary" under rule 1.01 of the Listing Rules;

(6) By deleting the definition "writing/printing" as set out in Article 2 of the Articles of Association and replacing it with the following:

"writing" or "printing" shall include writing, printing, lithograph, photograph, type-writing and every other mode of representing words or figures in a legible and non transitory form and, only where used in connection with a notice served by the Company on members or other persons entitled to receive notices hereunder, shall also include a record maintained in an electronic medium which is accessible in visible form so as to be useable for subsequent reference;

(7) By deleting the words "they deem" and replacing them with "it deems" in Article 17.

(8) By deleting Article 23 and replacing it with the following:

"23. The register may, on 14 days' notice being given by advertisement published in the newspapers, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as herein provided, be closed at such times and for such periods as the Board may from time to time determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year). The Company shall, on demand, furnish any person seeking to inspect the register or part thereof which is closed by virtue of this Article with a certificate under the hand of the Secretary stating the period for which, and by whose authority, it is closed."

(9) By deleting Article 38 and replacing it with the following:

"38. In addition to the giving of notice in accordance with Article 36, notice of the person appointed to receive payment of every call and of the times and places appointed for payment may be given to the members affected by notice published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as herein provided."

(10) By deleting Article 47 and replacing it with the following:

"47. Transfer of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Board may approve, which is consistent with the standard form of transfer as prescribed by the Exchange and approved by the Board. All instruments of transfer must be left at the registered office of the Company or at such other place as the Board may appoint and all such instruments of transfer shall be retained by the Company."

(11) By deleting Article 49(f) and replacing it with the following:

"49(f). a fee for registration of such maximum amount as the Exchange may from time to time determine to be payable (or such lesser sum as the Board may from time to time require) is paid to the Company in respect thereof."

(12) By deleting the word "an" before the words "competent court" and replacing it with "any" in Article 51.

(13) By deleting the word "further" before the word "charge" in the third line of Article 52.

(14) By deleting Article 53 and replacing it with the following:

"53. The registration of transfers may, on 14 days' notice being given by advertisement published in the newspapers, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as herein provided, be suspended and the register closed at such times for such periods as the Board may from time to time determine, provided always that such registration shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year)."

(15) By deleting the words "of the Company" as they appear in the first line of Article 64.

(16) By adding the word "the" before the word "Law" in Article 80.

(17) By deleting the word "exclusive" and replacing with the word "inclusive" as it appears in the fourth line of Article 90.

(18) By deleting Articles 96 and 97 and replacing them with the following:

"96. For all purposes the quorum for a general meeting shall be two members present in person or by proxy (or in the case of a corporation, by its duly authorised representative) provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy. No business (except the appointment of a Chairman) shall be transacted at any general meeting unless the requisite quorum shall be present at the commencement of the business.

97. If within 15 minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved, but in any other case it shall stand adjourned to such other day (not being less than seven nor more than twenty-eight days thereafter) and at such time and place as shall be decided by the Chairman, and if at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting, the member or members present in person or by proxy (or in the case of a corporation, by its duly authorised representative) shall be a quorum and may transact the business for which the meeting was called."

(19) By deleting Articles 100 to 105 inclusive and replacing them with the following:

"100 At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

(a) the Chairman of the meeting; or

(b) at least five members present in person or by proxy and entitled to vote; or

(c) any member or members present in person or by proxy (or in the case of a corporation, by its duly authorised representative) and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or

(d) any member or members present in person or by proxy (or in the case of a corporation, by its duly authorised representative) and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

101. Unless a poll is so required or demanded and, in the latter case, the demand is not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried unanimously or by a particular majority, or lost, and an entry to that effect in the Company's book containing the minutes of proceedings of meetings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

102. If a poll is required or demanded as aforesaid, it shall (subject as provided in Article 104) be taken in such manner (including the use of ballot or voting papers or tickets) and at the meeting or at such time and place, not being more than 30 days from the date of the meeting or adjourned meeting at which the poll was required or demanded as the Chairman directs. No notice need be given of a poll not taken immediately. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was required or demanded. The demand for a poll may be withdrawn, with the consent of the Chairman, at any time before the close of the meeting at which the poll was demanded or the taking of the poll, whichever is earlier.

103. The requirement or demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than that upon which a poll has been demanded.

104. Any poll duly demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting and without adjournment.

105. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is required or demanded, shall be entitled to a second or casting vote."

(20) By re-numbering Article 107 as Article 107(a) and adding the following as the new Article 107(b) immediately after Article 107(a):

"107(b). Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting for or against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted."

(21) By deleting the last sentence of Article 120 and replacing it with the following:

"120. A person so authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including the right to vote individually on a show of hands, notwithstanding any contrary provision contained in these Articles."

(22) By deleting Article 129 and replacing it with the following:

"129. A Director need not hold any qualification shares. No Director shall be required to vacate office or retire or be ineligible for reelection or reappointment as a Director and no person shall be ineligible for appointment as a Director by reason only of his having attained any particular age."

(23) By deleting Article 139 and replacing it with the following:

"139. A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his Associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(a) the giving of any security or indemnity either:

(i) to the Director or his Associates in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(ii) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his Associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security; or

(b) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his Associates is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer; or

(c) any proposal concerning any other company in which the Director or his Associates is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director is beneficially interested in the shares of that company, provided that, the Director and any of his Associates are not in aggregate beneficially interested in five per cent or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his Associates is derived) or of the voting rights; or

(d) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(i) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or his Associates may benefit; and

(ii) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their Associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his Associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(e) any contract or arrangement in which the Director or his Associates is/are is interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company."

(24) By deleting the words "of the Company" after the words "the other Directors" in the second line of Article 145.

(25) By deleting the words "(as defined in Article 142 above)" in Article 149(a).

(26) By deleting Article 161 and replacing it with the following:

"161. No person other than a retiring Director shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected."

(27) By deleting Article 170 and replacing it with the following:

"170. The Board may delegate any of its powers to committees consisting of such member or members of the Board (including alternate Directors in the absence of their appointers) as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Board."

(28) By deleting the word "any" after the word "and" in Article 173(b).

(29) By deleting Article 214(d) and replacing it with the following:

"214(d). upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as herein provided, giving notice of its intention to sell such shares, and a period of three months has elapsed since such advertisement and the Exchange has been notified of such intention."

(30) By adding the following paragraph at the end of Article 217:

"Notwithstanding any provision contained in these Articles, the Directors may, if permitted by applicable law, authorise the destruction of any documents referred to in this Article or any other documents in relation to share registration which have been microfilmed or electronically stored by the Company or by the share registrar on its behalf provided always that this Article shall apply only to the destruction of a document in good faith and without express notice to the Company that the preservation of such document might be relevant to a claim."

(31) By deleting Article 223, renumbering it as Article 223(a) and adding a new Article 223(a) as follows:

"223(a). Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting be sent in the manner in which notices may be served by the Company as provided herein to every member of the Company and every holder of debentures of the Company, provided that the Company shall not be required to send printed copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

(32) By adding a new Article 223(b) as follows:

223(b). To the extent permitted by and subject to due compliance with these Articles, the Law and all applicable rules and regulations, including, without limitation, the rules of the Exchange, and to obtaining all necessary consents, if any required thereunder, the requirements of Article 223(a) shall be deemed satisfied in relation to any member or any holder of debentures of the Company by sending to such person instead of such copies, not less than 21 days before the date of the annual general meeting, in any manner not prohibited by these Articles and the Law, a summary financial statement derived from the Company's annual accounts, together with the Directors' report and the Auditor's report on such accounts, which shall be in the form and containing the information required by these Articles, the Law and all applicable laws and regulations, provided that any person who is otherwise entitled to the annual accounts of the Company, together with the Director's report and the Auditor's report thereon may, if he so requires, by notice in writing served on the Company, demand that the Company sends to him, in addition to the summary financial statement, a complete printed copy of the Company's annual accounts, together with the Director's report and the Auditor's report thereon."

(33) By deleting Article 227 and replacing it with the following:

"227. Except as otherwise provided in these Articles, any notice or document may be served by the Company and any notices may be served by the Board on any member either personally or by sending it through the post in a prepaid letter addressed to such member at his registered address as appearing in the register or, to the extent permitted by the Listing Rules and all applicable laws and regulations, by electronic means by transmitting it to any electronic number or address or website supplied by the member to the Company or by placing it on the Company's Website provided that the Company has obtained the member's prior express positive confirmation in writing to receive or otherwise have made available to him notices and documents to be given or issued to him by the Company by such electronic means, or (in the case of notice) by advertisement published in the newspapers. In the case of joint holders of a share, all notices shall be given to that holder for the time being whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders."

(34) By deleting Article 230 and replacing it with the following:

"230. A member shall be entitled to have notice served on him at any address within Hong Kong. Any member who has not given an express positive confirmation in writing to the Company to receive or otherwise have made available to him notices and documents to be given or issued to him by the Company by electronic means and whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. A member who has no registered address in Hong Kong shall be deemed to have received any notice which shall have been displayed at the transfer office and shall have remained there for a period of 24 hours and such notice shall be deemed to have been received by such member on the day following that on which it shall have been first so displayed, provided that, without prejudice to the other provisions of these Articles, nothing in this Article 230 shall be construed as prohibiting the Company from sending, or entitling the Company not to send, notices or other documents of the Company to any member whose registered address is outside Hong Kong."

(35) By inserting the following sentence at the end of Article 231:

"Any notice given by electronic means as provided herein shall be deemed to have been served and delivered on the day following that on which it is successfully transmitted or at such later time as may be prescribed by the Listing Rules or any applicable laws of regulations."

(36) By deleting the words "by post or left at the registered office of" as they appear in the first line of Article 234 and replacing them with "to".

(37) By deleting Article 235 and replacing it with the following:

"235. The signature to any notice to be given by the Company may be written or printed by means of facsimile or, where relevant, by Electronic Signature."

By Order of the Board
Chu Kin Wang, Peleus
Company Secretary

Hong Kong, 28th April, 2004

Notes:

1. Any member of the company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and on a poll, vote in his stead. A proxy need not be a member of the Company.

2. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the principal place of business of the Company in Hong Kong at 11th Floor, Ying Kong Mansion, 2-6 Yee Wo Street, Causeway Bay, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

RESULTS

For the year ended 31 December 2003, the Group recorded a loss of HK$11,808,000 which was mainly attributable to the impairment losses totalling HK$8,800,000 in relation to the unlisted equity investment in the People's Republic of China ("PRC") and the investments in certain unlisted convertible loan notes and a loss of HK$1,014,000 on disposal of listed investments on The Stock Exchange of Hong Kong Limited.

BUSINESS REVIEW AND PROSPECTS

Sadly, another un-spectacular year for shareholders. Directors and management offer no excuses for their responsibilities, or the lack of such. It certainly is not satisfactory for shareholders that the Group was not perceived as proactive in optimising its listed status as a Chapter 21 "Investment Vehicle". That would defeat the very purpose for which the Group was created in July 1998. Neither should the Board be complacent that 2003 was an unusual year, with the adverse effect from Severe Acute Respiratory Syndrome and other infectious diseases dragging down the economies of Hong Kong and Region. It is imperative that the Board must draw on such lessons and experiences.

As at 31 December 2003, 100% in value of the Group's investment was represented by an equity interest in a building materials manufacturing company in the PRC. All the investments in convertible loan notes have been fully provided for. Subsequent to the year end on 16 April 2004, the Group disposed all of its investments in convertible loan notes to third parties for a nominal sum of HK$1 each. The Group's investment portfolio was financed by shareholders' funds of HK$12,344,000. The Group's cash and bank balances were HK$3,106,000. Consolidated net asset value per share of the Company was HK$0.09.

A detailed description of the Group's investment portfolio is set out on pages 60 to 65.

In March 2004, the Company raised net proceeds of approximately HK$3,370,000 following the placement of 28,800,000 new shares under General Mandate to independent investors. The proceeds will be used as additional general working capital. The directors are satisfied that given the cash and liquid assets on hand the Group has sufficient financial resources to meet its ongoing operational requirements in the near term.

Environment

Hong Kong is now placed advantageously in the macro and co-ordinated economic development of the Greater Pearl River Delta Region. Significant policy steps such as CEPA, Individual Travel Scheme etc have been taken by the Central Chinese Government and the Hong Kong Special Administrative Region Government to integrate Hong Kong with the economic dynamics of southern China. All such implemented policies will favourably enhance the Region's overall competitiveness vis-a-vis the rest of the world, and give impetus for business entities to usher in global investments.

At the corporate level, this Chapter 21 company should be a platform for unlimited horizons, striving to alliance appealing investment projects with capital and finance longing for such opportunities.

Philosophy

In previous years, the Group's investment approach has always been prudent. But according to the past track record prudence for the sake of prudence may not be the ideal philosophy to adopt. Consideration of an investment project must be viewed against its circumstantial time and space context. Indeed, convergence of such will distinguish an investment project at the right time and place.

Policy

However, the Group must be able to manage changes in order to keep pace with the evolving macro environment in the Region. To be pragmatically effective, consequential challenges emerging would have to be managed, including: macro events, investment projects, competent human resources and funding avenues. The Group will not succeed if it loses sight of those challenges.

2004 will be a year of significant changes in the regulatory framework focusing on corporate governance. The Board is determined to ride on this rising tide to bring the Group's standard of compliance to a level respected by and attractive to both private and institutional investors.

The Group's immediate attention is to enrich the portfolio of investment projects, to re-set criteria for such consideration, and to apply these to the number of projects being looked at. This is the bread and butter of any Chapter 21 company, and the Group will re-organise itself to excel, including the recruitment of competent personnel, and the creation of avenues for funds.

Share Liquidity

Since December 2003, trading in the Group's shares have never been more liquid, including the successful placement of new shares in March 2004 under General Mandate. Such share interest will stimulate the Group to embark on more ambitious platforms.

Board

As the Group is being re-structured and re-organised in terms of share holding, investment portfolio, corresponding Board personalities with the right qualifications have been attracted to help the Group navigate the challenging path ahead.

Outlook

The Group survived 2003, and the prospects are to revive and thrive in 2004; on the strength of revised investment policies, fresh funding sources, and competent human resources.

TERMINATION AND APPOINTMENT OF INVESTMENT MANAGER

The Group entered into an agreement with Haywood Investment Management Limited on 4 March 2004, whereby both parties have conditionally agreed to terminate the investment management agreement dated 6 July 1998. On the same day, the Group appointed Altus Capital Limited to provide investment management services until 30 December 2005, but this new appointment is subject to the approval from The Stock Exchange of Hong Kong Limited.

As a complement to the Group's management team, Altus' diversified track record in the Region would enrich the Group's portfolio.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all staff for their hard work during the past challenging year and the transitional period. I look forward to their continued support in years ahead.

Wong Fong Kim
Chairman

Hong Kong, 28 April 2004

DIRECTORS OF THE COMPANY

Executive Directors

Mr. Wong Fong Kim, aged 51, has been Chairman of the Company since April 1998. Mr. Wong has extensive experience in investing in the People's Republic of China ("PRC") and management of industrial projects. In 1992, Mr. Wong joined Yunnan Economic Trading and Development Company Limited as the Deputy Managing Director and was responsible for overseeing the operation and the administration of the company. During 1994 and 1997, Mr. Wong held senior positions in a listed ceramics manufacturing group in Hong Kong and was responsible for overseeing the management of the manufacturing plants in the PRC. Mr. Wong has developed a strong background in investing projects in the PRC. Mr. Wong graduated from Yunnan University in 1982 with a Bachelor of Arts Degree in Economics.

Mr. Lok Kung Yao, Perry, aged 36, was appointed as an executive director of the Company in January 2004. Mr. Lok has a Bachelor of Arts Degree in Economics from University of Michigan, a Master Degree in Business Administration and a Master of Finance Degree from University of Hong Kong. Since 1991, Mr. Lok has worked for various financial institutions in Canada and Hong Kong. Between 1995 and 1997, Mr. Lok was an officer of the Traded Options Division of The Stock Exchange of Hong Kong Limited.

Mr. Tai Ah Lam, Michael, aged 56, has been an executive director of the Company since December 2001. Mr. Tai is an accountant by training and has more than 20 years' experience in corporate finance, and merger and acquisition transaction. During the period from 1975 to 2000, Mr. Tai was an executive director of a merchant bank and also the merger and acquisition partner of an international accounting firm.

Non-executive Directors

Mr. Chang Hang Vai, aged 48, was appointed as an executive director of the Company in December 2001 and redesignated as a non-executive director of the Company in June 2002. Mr. Chang is a general merchant and a director of a food and beverage company.

Mr. Lam Shu Chung, aged 48, was appointed as a non-executive director of the Company in March 2004. Since 1975, Mr. Lam has worked for a number of international financial institutions in Hong Kong. Mr. Lam specialises in the business of dealing in foreign exchange and corporate banking.

Independent Non-executive Directors

Dr. Wong Yun Kuen, Edward, aged 46, has been an independent non-executive director of the Company since June 1998. Dr. Wong received a Ph.D Degree from Harvard University. Dr. Wong was a "Distinguished Visiting Scholar" at the Wharton School of the University of Pennsylvania and a consultant at AIG Financial Products Corporation of the United States.

Mr. Hsieh Dominick, aged 34, has been an independent non-executive director of the Company since December 2001. Mr. Hsieh has over 8 years' experience in securities trading, investment and advisory business. He graduated from the University of Wisconsin in the United States with a Bachelor Degree in Finance.

Mr. Chang Kin Man, aged 40, was appointed as an independent non-executive director of the Company in April 2004. Mr. Chang is a certified public accountant in Hong Kong and a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. Mr. Chang holds a Bachelor of Science Degree in Economics and a Master Degree in Applied Finance. Before joining the Company, Mr. Chang worked for an international audit firm and publicly listed companies for more than 10 years.

Company Secretary

Mr. Chu Kin Wang, Peleus, aged 40, was appointed as the company secretary in January 2004. Mr. Chu has a Master Degree in Business Administration from University of Hong Kong. He is a fellow member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Company Secretaries and Administrators. Mr. Chu has 16 years of experience in finance and management with accounting firms, multinationals, small and medium enterprises and Hong Kong listed company.

DIRECTORS OF INVESTMENT MANAGER

Mr. Lee Fong Lit, David, aged 57, has been a director of the Company's Investment Manager since June 1988. Mr. Lee obtained his Bachelor of Science Degree from McGill University in Montreal and his Master Degree in Business Administration from Columbia University, New York. He has over 30 years of experience in the international financial and investment industry. Mr. Lee has been involved in investing in equity markets of Singapore, Malaysia and Hong Kong. He is the chairman of Harmony Asset Limited, a listed investment company in Hong Kong.

Dr. Chow Pok Yu, Augustine, aged 51, has been a director of the Company's Investment Manager since June 1988. Dr. Chow holds a Master Degree in Science from London Business School and a Ph.D Degree from University of South Australia. Dr. Chow is a director of Harmony Asset Limited, which is a listed investment company in Hong Kong. Dr. Chow has vast experience in managing public listed companies engaged in manufacturing, marketing and financial services and specialises in corporate merger and acquisitions.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

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 on other parts of the People's Republic of China (the "PRC").

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2003 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 32 to 59.

The directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 11 to the financial statements.

SHARE CAPITAL

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.

Other details of the share capital of the Company are set out in note 18 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the financial statements on pages 35 and 56 respectively.

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Executive Directors:

Mr. Wong Fong Kim *(Chairman)*	
Mr. Tai Ah Lam, Michael	
Mr. Lok Kung Yao, Perry	(appointed on 26 January 2004)
Mr. Chan Cheong Yee	(resigned on 30 June 2003)
Mr. Lee Wa Lun, Warren	(resigned on 26 January 2004)

Non-executive Directors:

Mr. Chang Hang Vai	
Mr. Lam Shu Chung	(appointed on 10 March 2004)

Independent Non-executive Directors:

Dr. Wong Yun Kuen, Edward	
Mr. Hsieh Dominick	
Mr. Chang Kin Man	(appointed on 19 April 2004)
Ms. Susan Wong	(appointed on 17 December 2003 and resigned on 1 April 2004)
Mr. Hui Hung, Stephen	(resigned on 9 December 2003)

In accordance with Article 123 of the Company's Articles of Association, Mr. Lam Shu Chung, Mr. Lok Kung Yao, Perry and Mr. Chang Kin Man retire and, being eligible, offer themselves for re-election.

In accordance with Article 157 of the Company's Articles of Association, Dr. Wong Yun Kuen, Edward and Hsieh Dominick retire by rotation and, being eligible, offer themselves for re-election.

No director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each of the independent non-executive directors is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2003, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in the shares of the Company

Name of director	Capacity	Nature of interest	Number of shares held	Approximate % of issued share capital of the Company as at 31 December 2003
Mr. Wong Fong Kim	Interest owner of a controlled corporation	Corporate interest	25,000,000 *(Note)*	17.36%

Note: These shares were held by Ever Harvest Investment Limited, a company wholly owned by Mr. Wong Fong Kim, who was deemed to have interests in those shares.

Save as disclosed above, as at 31 December 2003, none of the directors or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in the SFO) that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company and any other body corporate.

SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2003, other than the interests and short positions of the directors of the Company as disclosed above, the interests and short positions of the following persons in the shares and underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Long positions in the shares of the Company

Name of shareholder	Capacity	Number of shares held	Approximate % of issued share capital of the Company as at 31 December 2003
Mr. Lee Wing On, Samuel	Beneficial owner	25,000,000	17.36%
Ms. Wang Chao, Julia	Beneficial owner	9,575,000	6.65%

Saved as disclosed above, as at 31 December 2003, there was no other person who was recorded in the register of the Company as having an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 23 May 2002. The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Participants include (a) any full-time employee, directors (including any non-executive director or independent non-executive director) and part time employee of the Company or of any of its subsidiaries; (b) any adviser or consultant (in the areas of financial or corporate managerial) to the Company or to any of its subsidiaries; and (c) any adviser, consultant, agent, business affiliates or any person or entity who provides research or other support directly or indirectly to the Group, and any employee, adviser or consultant to the investment management company for the Company.

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.

INVESTMENT MANAGEMENT CONTRACT

Pursuant to an agreement dated 6 July 1998 (the "Agreement"), the Company appointed Haywood Investment Management Limited, a company in which Mr. Wong Fong Kim, a director of the Company has a 9% beneficial interest as at 31 December 2003, as its manager for the purpose of investment management and administration of the Company. In return, Haywood Investment Management Limited will be entitled to a monthly fee at 1.5% per annum of the net asset value of the Company at each preceding month end as defined in the Agreement and an incentive fee equivalent to 10% of the surplus in net asset value (with appropriate adjustment) over the previous financial year. During the year, the Company paid a management fee amounting to approximately HK$335,000 to Haywood Investment Management Limited. In the opinion of the independent non-executive directors, the payment of management fee was:

(i) in the ordinary and usual course of the Company's business and was in accordance with the terms of the relevant agreement;

(ii) on normal commercial terms and on an arm's length basis; and

(iii) fair and reasonable so far as the shareholders of the Company are concerned.

Subsequent to the year end, the Group entered into an agreement with Haywood Investment Management Limited on 4 March 2004, whereby both parties have conditionally agreed to terminate the investment management agreement dated 6 July 1998. On the same day, the Group appointed Altus Capital Limited to provide investment management services until 30 December 2005, but this new appointment is subject to the approval from The Stock Exchange of Hong Kong Limited.

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.

Save as disclosed above, no other contracts of significance to which the Company and any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2003 and up to the date of this report, the directors of the Company do not have interests in companies of which their businesses compete or are likely to compete, either directly or indirectly, with the businesses of the Company as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at Annual General Meeting in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

As at 31 December 2003, the audit committee members comprised Dr. Wong Yun Kuen, Edward and Mr. Hsieh Dominick, who are all independent non-executive directors of the Company.

The committee's principal duties are to review and supervise the matters relating to audit, accounting and financial statements as well as internal control, risk evaluation and general compliance of the Group and reports directly to the board of directors of the Company. Two meetings were held by the committee during the year.

AUDITORS

On 19 February 2004, Deloitte Touche Tohmatsu resigned as auditors of the Company and Grant Thornton were appointed to fill the casual vacancy by the Company's board of directors.

Grant Thornton retire and, being eligible, offer themselves for re-appointment as auditors of the Company. A resolution to re-appoint of Grant Thornton as auditors of the Company for the year ending 31 December 2004 is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Wong Fong Kim
Chairman

Hong Kong, 28 April 2004

Grant Thornton
均富會計師行

TO THE MEMBERS OF HAYWOOD INVESTMENTS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 32 to 59 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants

Hong Kong, 28 April 2004

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 HK$'000	2002 HK$'000
Turnover	4	**4**	876
Other revenue		**280**	84
Administrative expenses		**(2,269)**	(6,559)
Impairment loss recognised in respect of investments in securities		**(8,800)**	(20,995)
Loss on disposal of listed investments	5	**(1,014)**	(481)
Loss from operations	6	**(11,799)**	(27,075)
Interest expense on secured loan wholly repayable within five years		**(61)**	(148)
Loss before taxation		**(11,860)**	(27,223)
Taxation	8	**52**	–
Loss attributable to shareholders		**(11,808)**	(27,223)
Loss per share – basic	10	**(8.56 cents)**	(23.60 cents)

Consolidated Balance Sheet

AS AT 31 DECEMBER 2003

	Notes	2003 HK$'000	2002 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**–**	69
Investments in securities	13	**9,714**	23,323
		9,714	23,392
Current assets			
Trade and other receivables	14	**176**	1,948
Amount due from a related company	15	**–**	178
Cash at banks		**3,106**	114
		3,282	2,240
Current liabilities			
Other payables		**322**	1,541
Secured loan – due within one year	16	**–**	1,000
Amounts due to directors	17	**330**	94
Amount due to a related company		**–**	114
Provision for taxation		**–**	52
		652	2,801
Net current assets/(liabilities)		**2,630**	(561)
Net assets		**12,344**	22,831
CAPITAL AND RESERVES			
Share capital	18	**1,440**	1,200
Reserves	19	**10,904**	21,631
Shareholders' funds		**12,344**	22,831
Net asset value per share	20	**HK$0.09**	HK$0.19

Wong Fong Kim *Director*	**Tai Ah Lam, Michael** *Director*

Balance Sheet

AS AT 31 DECEMBER 2003

	Notes	2003 *HK$'000*	2002 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**–**	69
Interests in subsidiaries	12	**9,658**	17,553
Investments in securities	13	**53**	11,860
		9,711	29,482
Current assets			
Trade and other receivables	14	**176**	1,948
Amount due from a related company	15	**–**	178
Cash at banks		**3,101**	108
		3,277	2,234
Current liabilities			
Other payables		**310**	1,447
Secured loan – due within one year	16	**–**	1,000
Amounts due to directors	17	**330**	94
Amount due to a related company		**–**	114
		640	2,655
Net current assets/(liabilities)		**2,637**	(421)
Net assets		**12,348**	29,061
CAPITAL AND RESERVES			
Share capital	18	**1,440**	1,200
Reserves	19	**10,908**	27,861
Shareholders' funds		**12,348**	29,061

Wong Fong Kim
Director

Tai Ah Lam, Michael
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2003

	Share capital	Share premium	Investment revaluation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002	1,000	94,117	(270)	(51,245)	43,602
Unrealised loss arising on revaluation of investments not recognised in the consolidated income statement	–	–	(426)	–	(426)
Deficit released on disposal of other securities *(note 5)*	–	–	270	–	270
Shares issued at premium	200	6,800	–	–	7,000
Share issue expenses	–	(392)	–	–	(392)
Loss for the year	–	–	–	(27,223)	(27,223)
At 31 December 2002 and 1 January 2003	1,200	100,525	(426)	(78,468)	22,831
Unrealised gain arising on revaluation of investments not recognised in the consolidated income statement	–	–	53	–	53
Deficit released on disposal of other securities *(note 5)*	–	–	426	–	426
Shares issued at premium *(note 18)*	240	720	–	–	960
Share issue expenses	–	(118)	–	–	(118)
Loss for the year	–	–	–	(11,808)	(11,808)
At 31 December 2003	1,440	101,127	53	(90,276)	12,344

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	HK$'000	*HK$'000*
Operating activities		
Loss before taxation	**(11,860)**	(27,223)
Adjustments for:		
Depreciation	**–**	107
Interest expense	**61**	148
Loss on disposal of listed investments	**1,014**	481
Loss on disposal of property, plant and equipment	**–**	267
Impairment loss recognised in respect of other securities	**8,800**	20,995
Property, plant and equipment written off	**69**	–
Provision for amount due from a related company	**178**	–
Operating loss before working capital changes	**(1,738)**	(5,225)
Decrease/(Increase) in trade and other receivables	**1,772**	(1,613)
Increase in amount due from a related company	**–**	(178)
(Decrease)/Increase in other payables	**(1,219)**	502
Increase/(Decrease) in amounts due to directors	**236**	(6)
(Decrease)/Increase in amount due to a related company	**(114)**	114
Net cash used in operating activities	**(1,063)**	(6,406)
Investing activities		
Purchases of investments in securities	**–**	(13,978)
Net proceeds from disposal of investments in securities	**4,274**	8,560
Purchases of property, plant and equipment	**–**	(208)
Proceeds from disposal of property, plant and equipment	**–**	8
Net cash from/(used in) investing activities	**4,274**	(5,618)
Financing activities		
Interest paid	**(61)**	(108)
Net proceeds from placement of ordinary shares	**842**	6,608
New loan raised	**–**	1,000
Repayment of secured loan	**(1,000)**	–
Net cash (used in)/from financing activities	**(219)**	7,500
Net increase/(decrease) in cash at banks	**2,992**	(4,524)
Cash at banks at 1 January	**114**	4,638
Cash at banks at 31 December	**3,106**	114

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 *HK$'000*	2002 *HK$'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.

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 i*
Riche Multi-Media Holdings Limited **	Bermuda	220,000	0.046%	–	53	53	156	*Note i*
				–	53	53		
At 31 December 2002								
Shares:								
DIGITALHONGKONG.COM	Cayman Islands	648	0.0004%	–	–	–	–	*Note i*
Kin Don Holdings Limited **	Cayman Islands	28,400,000	0.477%	1,151	539	(612)	165	*Note i*
Kowloon Development Company Limited **	Hong Kong	241,000	0.05%	1,067	850	(217)	1,624	*Note i*
Riche Multi-Media Holdings Limited **	Bermuda	960,000	0.202%	2,982	2,976	(6)	520	*Note i*
				5,200	4,365	(835)		
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.

(b) Unlisted equity security:

Name of investee company	Place of incorporation	2003 HK$'000	2002 HK$'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 ii)*	The PRC	**9,661**	11,461

(c) Unlisted convertible loan notes:

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

Notes:

(i) 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 report date.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(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. 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.

A brief description of the business and financial information of the listed investee company, based on its published interim reports or annual reports, is as follows:

(i) DIGITALHONGKONG.COM ("Digital") is principally engaged in facilitating web-based transactions by providing outsourcing services for an integrated e-commerce solution designed to enable any company to extend its business to the Internet.

The unaudited consolidated profit attributable to shareholders of Digital for the six-month period ended 31 December 2003 was approximately HK$98,000 (31 December 2002: HK$93,000). As at 31 December 2003, the unaudited consolidated net asset value of Digital was approximately HK$16,182,000 (31 December 2002: HK$16,035,000).

(ii) Riche Multi-Media Holdings Limited ("Riche") is principally engaged in distribution of video programmers, sub-licensing video programme rights, film exhibition and provision of video conversion services.

The unaudited consolidated profit attributable to shareholders of Riche for the six-month period ended 30 June 2003 was approximately HK$24,336,000 (30 June 2002: HK$10,955,000). As at 30 June 2003, the unaudited consolidated net asset value of Riche was approximately HK$279,747,000 (30 June 2002: HK$257,218,000).

A brief description of the business of the issuers of the convertible loan notes is as follows:

(i) Assets Planning Limited is principally engaged in property development in Hong Kong.

(ii) Dynamic Venture Enterprises Limited is principally engaged in investment holding. The company holds a 30% equity interest in Baoding Standard International Building Material Co. Ltd., a company established in the PRC which is principally engaged in the manufacture and trading of building materials.

(iii) Kellerton Industries Limited is principally engaged in investment holding. The company holds indirectly 40% and 50% equity interests in 大鷹葯業(開封)有限公司 and 新世界海天(信陽)豫南製藥有限公司 respectively. 大鷹葯業(開封)有限公司 and 新世界海天(信陽)豫南製藥有限公司 are registered in the PRC and are principally engaged in the biotechnological production.

(iv) IPO43.com Limited is principally engaged in facilitating web-based transactions by providing outsourcing information of public relation, financial intelligence, entertainment and investment and opportunity exchange service in Hong Kong.

Summary of Financial Information

A summary of the results, assets and liabilities of the Group for the last five financial years, is as follows:

	Year ended 31 December				
	1999	2000	2001	2002	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Results					
Turnover	6,698	4,460	369	876	**4**
Profit/(loss) from operations	1,644	(14,330)	(40,621)	(27,075)	**(11,799)**
Finance costs	–	–	–	(148)	**(61)**
Profit/(loss) before taxation	1,644	(14,330)	(40,621)	(27,223)	**(11,860)**
Taxation	(194)	(18)	–	–	**52**
Profit/(loss) for the year	1,450	(14,348)	(40,621)	(27,223)	**(11,808)**

	As at 31 December				
	1999	2000	2001	2002	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Assets and liabilities					
Property, plant and equipment	531	394	243	69	**–**
Investments in securities	93,721	51,421	39,537	23,323	**9,714**
Current assets	9,750	8,237	4,973	2,240	**3,282**
Current liabilities	(2,410)	(1,077)	(1,151)	(2,801)	**(652)**
Shareholders' funds	101,592	58,975	43,602	22,831	**12,344**