



renren

renren Holdings Limited Annual Report 04

ANNUAL

REPORT 04

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Corporate Information

EXECUTIVE DIRECTORS

Yu Pan, *Chairman*
Mai Zhi Hui

INDEPENDENT NON-EXECUTIVE DIRECTORS

Choy Sha Kwan
Cheng Wing Keung, Raymond
Chung Lai Fong, la Fontaine

COMPANY SECRETARY

Cheung Lin Shun

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
1st Floor, Causeway Bay Plaza II
463-483 Lockhart Road
Hong Kong

AUDITORS

Albert Lam & Co.
Certified Public Accountants
25/F., Man Yee Building
68 Des Voeux Road Central
Hong Kong

SHARE REGISTRAR

Abacus Share Registrars Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

AUDIT COMMITTEE

Choy Shu Kwan
Cheng Wing Keung, Raymond
Chung Lai Fong, la Fontaine

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2502B, Admiralty Centre
Tower 1
18 Harcourt Road
Hong Kong

Chairman's Statement

I herewith present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004. The report is also the first report I submit since I was elected the chairman after the change of control in shareholding and management at the end of the year 2004.

During the accounting year ended 31 December 2004, the Group records a loss attributable to shareholders of HK\$47,487,000 (2003: HK\$100,785,000) and net asset of HK\$9,474,000 (2003: HK\$3,960,000). The loss was mainly caused by the loss on disposal of trading securities, provisions for impairment of goodwill and investment in securities, and provision and write-offs of doubtful receivables, totaling HK\$45,336,000. The loss per share for the current year is HK\$0.76 cents and that for the last year is HK\$9.01 cents. The Group is continuously reviewing its existing investment portfolio. It will exercise stringent management on the existing resources to ensure efficient use so as to enhance the quality of assets.

Following the change in management in the end of 2004, the new management will use its expertise in the telecommunication and the property development industries to pave a good foundation for the future development, and at the same time explore into new opportunities with prospects. Simultaneously, the management is persistently reviewing the existing investments, contracting and consolidating those with poor investment prospect. Bearing a conservative but aggressive attitude, the Group has the ultimate objective in targeting only those investments with good return, steady cash flow and growth potential.

Throughout the past few years, China has become the engine of the worldwide economic growth, with steady but galloping rates. The prosperous economy and the increase in national income per capita will definitely stimulate the demand for telecommunication and property business. In search for new investment and acquisition opportunities, the Group will take the market demand in China as a basic reference point.

The market in China is viewed as the most influential economy system in the world, in particular after the successful accession to the WTO that induces a flux of business opportunities. The Group, basing on its expertise in telecommunication and property development industries and related areas in China, is forming a quality management team in preparation of the incoming business opportunities. The Group will use its endeavors to ensure income growth and operational efficiency improvement, for the sake of turning around its existing financial position and bringing in returns for the shareholders.

Yu Pan
Chairman

Profiles of Directors and Senior Management

Directors' background

Mr. Yu Pan *(Chairman and executive director)*

Aged 39, is a real property developer mainly in the PRC. Mr. Yu has over fifteen years of experience in the telecommunications industry and real estate development in Guangzhou, the PRC.

Mr. Mai Zhi Hui *(Executive director)*

Aged 27, graduated from Institute of Public Utility in the PRC. Mr. Mai has engaged in real estate business in the PRC.

Mr. Choy Shu Kwan *(Independent non-executive director)*

Aged 49, holds a Master degree in Business Administration and has over 25 years' extensive experience in financial business and investment management. Mr. Choy is the managing director of CITIC Capital Markets Limited. He is also an independent non-executive director of Shenyang Public Utility Holdings Company Limited and Poly (Hong Kong) Investments Limited.

Mr. Cheng Wing Keung *(Independent non-executive director)*

Aged 45, is a practicing solicitor in Hong Kong. He holds a honours degree in laws in the University of London and a master degree of business administration in the University of Strathclyde, Scotland. He is an associate member of Institute of Chartered Secretaries and Administrators in both UK and Hong Kong. Mr. Cheng also holds a diploma in Chinese Professional Laws in the Chinese University of Political Science and Law, PRC. Mr. Cheng has over 18 years experience in corporate, taxation, trust and listing affairs. At present, Mr. Cheng is an independent non-executive director in two listed companies in Hong Kong, namely China Investment Fund Company Limited and Fortuna International Holdings Limited.

Ms. Chung Lai Fong, la Fontaine *(Independent non-executive director)*

Aged 37, is a practicing barrister in Hong Kong. Ms. Chung holds a Bachelor of Laws (Honours) degree and a Bachelor of Arts (Honours) Degree in Accountancy. She is also a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Institute of Hong Kong Company Secretaries. She has over 10 years professional experience in accounting, taxation, administration, company secretarial and corporate development. Ms. Chung was an independent non-executive director of Asia Resources Holdings Limited for the period from January 2000 to April 2002.

Senior Management

Ms. Cheung Lin Shun, Julia *(Group Financial Controller and Company Secretary)*

Aged 42, joined the Group in March 2005. She graduated from the Hong Kong Polytechnic University with a professional diploma in Management Accountancy. Ms. Cheung is a fellow member of The Hong Kong Certified Public Accountants, The Association of Chartered Certified Accountants in the United Kingdom. She has over 19 years experience in auditing, corporate secretarial, accounting and corporate finance in an international accounting firm and a number of listed companies in Hong Kong.

Management Discussion and Analysis and Business Outlook

Overview

During the accounting year ended 31 December 2004, the Group records a loss attributable to shareholders of HK\$47,487,000 (2003: HK\$100,785,000) and net asset of HK\$9,474,000 (2003: HK\$3,960,000). The loss was mainly caused by the loss on disposal of trading securities, provisions for impairment of goodwill, investment in securities, and provision and write-offs of doubtful receivables, totaling HK\$45,336,000. The loss per share for the current year is HK\$0.76 cents. The Group is continuously reviewing its existing investment portfolio. It will exercise stringent management of the existing resources to ensure efficient use so as to enhance the quality of assets.

In 2004, the Group's revenue was mainly from the general trading and provision of financial services. Due to the very keen competition and the drastic changes in the information technology industries, the project in the on-line game has been closed down. Nonetheless, the management has also reviewed conscientiously the project in the development of broadband television broadcasting service through the renren.com media platform and alliance with some digital technology companies and had suspended the investment project pending for further feasibility study to be carried out.

Outlook

The management is expecting a continuous, steady and strong economic growth in the mainland China. The change in management team in the end of 2004 has just about given a good opportunity for the business development in China. The new management can help the Group diversify the business with its expertise in telecommunication and property related interests.

The management will aggressively work on controlling costs as well as streamlining the capital and management structures, and is planning to enlarge the capital base of the Group to prepare for the needs of future growth. This will undoubtedly enable the Group to grasp the business opportunities that emerge in the fast growing economy in China for the satisfactory returns to the shareholders.

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2004.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries are set out on pages 49 to 50 in this annual report.

Segment Information

An analysis of the Group's turnover and contribution to results from operating activities by principal activity and by geographical area of operations for the year ended 31 December 2004 is set out in note 4 to the financial statements.

Results and Dividends

The Group's loss for the year ended 31 December 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 13 to 48.

The directors do not recommend the payment of any dividend in respect of the year.

Fixed Assets

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 13 to the financial statements.

Convertible Bonds

Details of the convertible bonds of the Group are set out in note 25 to the financial statements.

Right Issue

In February 2004, the Company effected a rights issue of 5,423,662,308 shares at an issued price of HK\$0.01 per rights share on the basis of four rights share for every one existing share held. Details of the rights issue are set out in note 26 to the financial statements.

Share Capital and Share Options

Details of movement in the Company's share capital and share options during the year are set out in note 26 to the financial statements.

Report of the Directors

Pre-Emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

(Deficit)/Reserves

Details of movements in the (deficit)/reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

Distributable Reserves

At 31 December 2004, the Company had no retained profits or reserves available for cash distribution and/or distribution in specie.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 100% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 80% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 100% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 100% of the Group's total purchases.

None of the directors of the Company, or any of their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

Report of the Directors

Directors

The directors of the Company during the year were:

Executive directors

Mr. Yu Pan	(appointed on 8 December 2004)
Mr. Mai Zhi Hui	(appointed on 8 December 2004)
Mr. Mak Chi Yeung	(resigned on 29 December 2004)
Mr. Cheng Wai Keung	(resigned on 29 December 2004)
Mr. Kong Lung Cheung	(appointed on 26 July 2004 and resigned on 29 December 2004)

Independent non-executive directors

Mr. Choy Shu Kwan	(appointed on 29 December 2004)
Mr. Cheng Wing Keung, Raymond	(appointed on 29 December 2004)
Ms. Chung Lai Fong, la Fontaine	(appointed on 29 December 2004)
Mr. Lo Chi Man, Joseph	(resigned on 29 December 2004)
Mr. Wong Kwong Lung, Terence	(resigned on 29 December 2004)
Mr. Yip Tai Him	(appointed on 30 September 2004 and resigned on 29 December 2004)

In accordance with the bye-law 86(2) of the Company, Mr. Mai Zhi Hui will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

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

Directors' Interests in Contracts

Save as disclosed in note 34 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, any of its holding companies or subsidiaries was a party during the year.

Report of the Directors

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2004, the interests of the directors and chief executive in the share capital of the Company or its associated corporation (within the meaning of Part XV of Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Name of director	Nature of interests	Number of Ordinary Shares held	Approximate percentage of shareholding (%)
Yu Pan (<i>see note 2</i>)	Interest of Controlled Corporation	3,160,922,790 (L)	46.16

Notes:

- (1) The letter "L" denotes a long position in the Shares.
- (2) 3,160,922,790 shares of the Company are held by Grand Cosmos Holdings Limited which is wholly-owned by Mr. Yu Pan.

Save as disclosed above, at 31 December 2004, none of the Directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Save as disclosed above, at no time during the year was the Company or any of its subsidiary companies a party or parties to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Rights to Acquire Shares or Debentures

Apart from as disclosed under the heading "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies or subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Report of the Directors

Substantial Shareholders

As at 31 December 2004 other than the shares held by a director as abovementioned in the section headed "Directors' interests and short positions in shares, underlying shares and debentures", no other person had registered an interest of 5% or more in the issued share capital of the Company that was required to be recorded in the register of interests in shares and short positions required to be kept under Section 336 of the SFO Ordinance.

Connected and Related Party Transactions

Details of related party transactions for the year are set out in note 34 to the financial statements. Save as those disclosed in the financial statements, there were no other material transactions to be disclosed as connected or related party transactions in accordance with the requirement of Listing Rules and accounting principals generally accepted in Hong Kong.

Share Option Scheme

Particulars of the Company's share option scheme are set out in note 26 to the financial statements. All the share options were cancelled during the year and no share options remained as at 31 December 2004.

The movements in the number of share options to subscribe for shares in the Company during the year were as follows:

Grantee	Number of share options				At 31 December 2004	Date of grant (*)	Share price of the Company at grant date (**)	Adjusted share price of the Company at grant date (***)	Exercise price	Exercise period
	At 1 January 2004	Granted during the year	Exercised during the year	Lapsed or Cancelled during the year						
Director:										
Mak Chi Yeung	576,000	—	—	(576,000)	—	23-7-2001	0.020	6.25	4.050	3-7-2001 to 25-6-2010
Mak Chi Yeung	—	5,000,000	—	(5,000,000)	—	4-6-2004	0.011	—	0.011	4-6-2004 to 4-6-2007
Kong Lung Cheun	—	67,795,700	—	(67,795,700)	—	4-6-2004	0.011	—	0.011	4-6-2004 to 4-6-2007
Cheng Wai Keung	—	6,779,500	—	(6,779,500)	—	4-6-2004	0.011	—	0.011	4-6-2004 to 4-6-2007
Other employees:										
In aggregate	12,800	—	—	(12,800)	—	23-7-2001	0.020	6.22	4.020	3-7-2001 to 25-6-2010
In aggregate	—	542,369,900	(67,795,700)	(474,574,200)	—	4-6-2004	0.011	—	0.011	4-6-2004 to 4-6-2007

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The price of the Company's shares disclosed as at the date of the grant of the share options is the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited on the trading day immediately prior to the date of the grant of the share options.

*** The adjusted price of the Company's shares as at the date of the grant of the share options is restated by taking into account the effect of share consolidation in year 2002.

Report of the Directors

Competition and Conflict of Interest

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that compete or may compete with the businesses of the Group or has any other conflict of interests with the Group.

Post Balance Sheet Events

Details of significant post balance sheet events of the Group are set out in note 33 to the financial statements.

Code of Best Practice

None of the Directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the year, save that the independent non-executive directors were not appointed for a specific term are subject to retirement by rotation in accordance with the bye-laws of the Company.

Audit Committee

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

Auditors

A resolution for the approval of the re-appointment of Albert Lam & Co. as auditors of the Company will be proposed at the forthcoming annual general meeting.

Sufficient Public Float

To the knowledge of the Directors based on publicly available information, the Company has sufficient public float as at the date of this Report.

On behalf of the Board

Yu Pan

Chairman

Hong Kong, 25 April 2005

Report of the Auditors

Albert Lam & Co.

CERTIFIED PUBLIC ACCOUNTANTS

25/F., Man Yee Building
68 Des Voeux Road Central
Hong Kong
Tel: (852) 2802 1092
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To the members

renren Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 13 to 48 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 content of this report.

Basis of Opinion

We conduct our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our work was limited as explained below.

An audit includes an 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned 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. However, the evidence available to us was limited because included in the Group's non-current assets as at 31 December 2004 are promissory notes receivable amounting to HK\$5,322,000 after provision for doubtful debt of HK\$5,322,000 has been made. These promissory notes receivable, with maturity on 31 March 2006, are unsecured. We were not provided with adequate evidence to ensure whether the issuer is able to settle these promissory notes on their maturity and the provision is adequate.

Any adjustment that might have been found to be necessary in respect of the matter set out above would have a consequential significant effect on the net assets of the Group as at 31 December 2004 and the loss for the year then ended.

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.

Qualified Opinion arising from limitation of audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence relating to the matter set out in the basis of opinion section of this report, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 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.

In respect alone of the limitations on our work as set out in the basis of opinion section of this report, we have not obtained all the information and explanations that we consider necessary for the purpose of our audit.

Albert Lam & Co.

Certified Public Accountants

Hong Kong, 25 April 2005

renren holdings limited annual report 2004

Consolidated Profit and Loss Account

Year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
TURNOVER	5	9,709	672
Cost of sales		(1,617)	(516)
Gross profit		8,092	156
Other income	5	8,174	737
Administrative expenses		(12,730)	(11,965)
Other operating expenses		(49,269)	(86,805)
Loss on disposal of subsidiaries		—	(1,546)
LOSS FROM OPERATING ACTIVITIES	6	(45,733)	(99,423)
Finance costs	9	(396)	(1,354)
LOSS BEFORE TAXATION		(46,129)	(100,777)
Taxation	10	(1,359)	(8)
LOSS BEFORE MINORITY INTERESTS		(47,488)	(100,785)
Minority interests		1	—
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	11, 27	(47,487)	(100,785)
LOSS PER SHARE			
Basic	12	0.76 cents	9.01 cents

Consolidated Balance Sheet

At 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	13	513	1,225
Goodwill	14	8	8,042
Interest in an associate	15	—	3
Investments in securities	16	900	—
Promissory notes receivable	17	5,322	—
		6,743	9,270
CURRENT ASSETS			
Trade receivables	19	—	1
Deposits, prepayments and other receivables		4,811	3,825
Loan receivable	20	1,500	—
Investments in securities	16	435	2,685
Cash and cash equivalents	21	347	260
		7,093	6,771
CURRENT LIABILITIES			
Trade payables	22	273	652
Other payables and accruals		1,454	6,978
Tax payable	10	1,359	8
Amount due to a director	23	1,276	1,693
Short term loans	24	—	1,250
Convertible bonds	25	—	1,500
		4,362	12,081
NET CURRENT ASSETS/(LIABILITIES)		2,731	(5,310)
NET ASSETS		9,474	3,960
CAPITAL AND DEFICIT			
Issued capital	26	68,338	13,068
Deficit	27	(58,864)	(9,108)
		9,474	3,960

Yu Pan
Director

Mai Zhi Hui
Director

Consolidated Cash Flow Statement

Year ended 31 December 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net cash used in operating activities	28(a)	(17,620)	(3,589)
INVESTING ACTIVITIES			
Purchases of fixed assets		(108)	(280)
Proceeds from disposal of fixed assets		—	268
Decrease in pledged time deposits		—	581
Purchases of other investments		(53,634)	(5,549)
Sales of other investments		25,008	3,240
Acquisition of subsidiaries	28(b)	(4,000)	(900)
Disposal of subsidiaries	28(c)	124	(14)
Interest received		65	30
Net cash used in investing activities		(32,545)	(2,624)
FINANCING ACTIVITIES			
Inception of loans		3,973	2,300
Repayment of loans		(5,223)	(3,100)
Proceeds from issue of shares		56,554	13,811
Cancellation of issued share capital		(720)	—
Share issue expenses		(2,833)	(161)
Cash contribution from minority shareholders		1	—
Proceeds from issue of convertible bonds		—	3,000
Additional proceeds from conversion of convertible bonds		—	51
Capital element of finance lease rental payments		—	(4,842)
Redemption of convertible notes		(1,500)	—
Promissory notes payment		—	(7,000)
Net cash from financing activities		50,252	4,059
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		87	(2,154)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		260	2,414
CASH AND CASH EQUIVALENTS AT END OF YEAR		347	260

Consolidated Statement of Changes in Equity

Year ended 31 December 2004

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2003	6,200	528,121	(444,777)	89,544
Net loss for the year	—	—	(100,785)	(100,785)
Issue of share	6,868	8,494	—	15,362
Share issue expenses	—	(161)	—	(161)
Balance at 31 December 2003	13,068	536,454	(545,562)	3,960
Cancellation of paid up ordinary share capital	(136)	(584)	—	(720)
Net loss for the year	—	—	(47,487)	(47,487)
Issue of share	55,406	1,148	—	56,554
Share issue expenses	—	(2,833)	—	(2,833)
Balance at 31 December 2004	68,338	534,185	(593,049)	9,474

Balance Sheet

At 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	18	(6,442)	156,558
CURRENT ASSETS			
Deposits, prepayments and other receivables		2,578	—
Cash and cash equivalents	21	306	172
		2,884	172
CURRENT LIABILITIES			
Amount due to a director	23	1,276	1,743
Short term loans	24	—	1,250
Other payables and accruals		754	2,263
Convertible bonds	25	—	1,500
		2,030	6,756
NET CURRENT ASSETS/(LIABILITIES)		854	(6,584)
NET (LIABILITIES)/ASSETS		(5,588)	149,974
CAPITAL AND (DEFICIT)/RESERVES			
Issued capital	26	68,338	13,068
(Deficit)/Reserves	27	(73,926)	136,906
		(5,588)	149,974

Yu Pan
Director

Mai Zhi Hui
Director

Notes to the Financial Statements

31 December 2004

1. Corporate Information

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries comprise the provision of financial services, the provision of internet products and services, general trading and investment holding.

As at 31 December 2004, the directors considered that the ultimate holding company of the Company is Grand Cosmos Holdings Limited, a company incorporated in the British Virgin Islands ("BVI").

2. Potential Impact Arising from the Recently Issued Accounting Standards

In 2004, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are presented. These new HKFRSs may result in changes in the future as to how the results and financial position are presented.

3. Summary of Significant Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They are prepared under the historical cost convention, except for the periodic remeasurement of investments in securities and annual revaluation of investment property, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Notes to the Financial Statements

31 December 2004

3. Summary of Significant Accounting Policies *(Continued)*

Associates

An associate is a company, not being a subsidiary nor a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognized in the consolidated balance sheet as an asset and amortized on the straight-line basis over its estimated useful life of three years. In the case of associates, any unamortized goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortized and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognized impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

Notes to the Financial Statements

31 December 2004

3. Summary of Significant Accounting Policies *(Continued)*

Impairment of assets *(Continued)*

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization), had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalized as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Computer equipment and software	50%
Furniture and fixtures	20%
Motor vehicles and vessels	25%

The gain or loss on disposal or retirement of a fixed asset recognized in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held for their investment potential with rental income being negotiated at arm's length.

Notes to the Financial Statements

31 December 2004

3. Summary of Significant Accounting Policies *(Continued)*

Investment properties *(Continued)*

Investment properties are stated in the balance sheet at their open market value on the basis of period end valuation carried out annually by persons holding a recognised professional qualification in valuing properties and having recent post-qualification experience in valuing properties in the location and in the category of the properties concerned; and at least every three years by an external valuer with similar qualifications. Investment properties are not depreciated, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying amount over the remaining term of the leases.

Changes in the value of investment property is treated as movements in an investment property revaluation reserve, unless the total of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the amount by which the deficit exceeds the total amount in the investment property revaluation reserve is charged to the profit and loss account. Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, this surplus is credited to the profit and loss account to the extent of the deficit previously charged. Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment property revaluation reserve to the profit and loss account.

Investment in securities

Long term investments in unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are classified as investment securities and stated at cost less any impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the investment securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged are credited to the profit and loss account to the extent of the amount previously charged.

Other investments are listed equity securities and are stated at their fair values at the balance sheet date, on an individual investment basis. The fair values of such listed securities are their quoted market prices at the balance sheet date. The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the periods in which they arise.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Notes to the Financial Statements

31 December 2004

3. Summary of Significant Accounting Policies *(Continued)*

Provisions *(Continued)*

When the effect of discounting is material, the amount recognized for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Deferred tax

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 is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets should be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and also should be recognised for the carryforward of unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised.

Deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the rendering of services, when the relevant services are provided.
- (b) from the sales of goods, when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.
- (c) from operating lease rental income, on a straight-line basis over the period of lease.
- (d) interest income, on a time proportion basis, taking into account the principal outstanding and effective interest rate applicable.

Notes to the Financial Statements

31 December 2004

3. Summary of Significant Accounting Policies *(Continued)*

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. Related parties may be individuals or corporate entities.

Foreign currencies translation

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates at the balance sheet date. The resulting exchange differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet classification, cash and cash equivalents comprise cash on hand and at banks, including short term deposits, which are not restricted as to use.

Employee benefits

(a) *Retirement benefits scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Notes to the Financial Statements

31 December 2004

3. Summary of Significant Accounting Policies *(Continued)*

Employee benefits *(Continued)*

(b) Share option scheme

The Company operates a share option scheme for the purpose of providing incentive and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheets until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. Segment Information

Segment information is presented by way of two segment formats:

- (i) on a primary segment reporting basis, by business segment; and
- (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) Online operations segment refers to the provision of internet services.
- (b) Offline operations segment refers to the provision of telecommunication services and products.
- (c) Trading and financial segment refers to the general trading and the provision of financial advices and services; and
- (d) Investment holding segment refers to the investment in securities and properties.

In determining the Group's geographical segments, revenue and results are attributable to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Notes to the Financial Statements

31 December 2004

4. Segment Information *(Continued)*

(a) Business segments

The following table presents revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

	Online operations		Offline operations		Investment holding		Trading and financial		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	300	—	—	666	16	6	9,393	—	9,709	672
Segment results	(1,148)	(8,993)	(603)	(28,172)	(40,963)	(60,865)	(2,799)	—	(45,513)	(98,030)
Interest and unallocated gains									67	30
Unallocated expenses									(287)	(1,423)
Loss from operating activities									(45,733)	(99,423)
Finance costs:										
Segment finance costs	—	—	—	(8)	(391)	(1,346)	(5)	—	(396)	(1,354)
Unallocated amounts									—	—
									(396)	(1,354)
Share of profits less losses of associates	—	—	—	—	—	—	—	—	—	—
Loss before taxation									(46,129)	(100,777)
Taxation									(1,359)	(8)
Loss before minority interests									(47,488)	(100,785)
Minority interests									1	—
Net loss attributable to shareholders									(47,487)	(100,785)

Notes to the Financial Statements

31 December 2004

4. Segment Information *(Continued)*

(a) Business segments

	Online operations		Offline operations		Investment holding		Trading and financial		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,800	—	—	896	6,142	13,382	3,996	—	11,938	14,278
Interest in associates	—	—	—	—	—	3	—	—	—	3
Bank balances included in segment assets	—	—	—	7	306	190	19	—	325	197
Unallocated assets									1,573	1,563
TOTAL ASSETS									13,836	16,041
Segment liabilities	(56)	(18)	—	(3,192)	(2,245)	(8,840)	(2,013)	—	(4,314)	(12,050)
Unallocated liabilities									(48)	(31)
TOTAL LIABILITIES									(4,362)	(12,081)
Other segment information:										
Impairment losses of goodwill	—	3,532	—	15,000	2,921	20,020	—	—	2,921	38,552
Impairment losses of investment securities	—	—	—	—	16,030	—	—	—	16,030	—
Depreciation and amortization	—	5,443	—	12,000	2,762	22,456	80	—	2,842	39,899
Capital expenditure	—	—	—	—	580	1,180	—	—	580	1,180

Notes to the Financial Statements

31 December 2004

4. Segment Information *(Continued)*

(b) Geographical segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments.

	Hong Kong		Elsewhere in the PRC		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	9,409	672	300	—	9,709	672
Segment results*	(45,765)	(99,384)	252	—	(45,513)	(99,384)
Other segment information:						
Segment assets	13,836	16,041	—	—	13,836	16,041
Capital expenditure	580	1,180	—	—	580	1,180

* Disclose pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Notes to the Financial Statements

31 December 2004

5. Turnover and Income

Turnover represents the income from the provision of financial services, the value of services rendered and the net invoiced value of goods sold during the year, after allowances for returns and trade discounts.

An analysis of the Group's turnover and other income is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover		
Provision of financial services	7,800	—
Sales	1,593	—
Rendering of telecommunication services	300	666
Operating lease rental income	16	6
	9,709	672
Other income/gains		
Commission income	60	—
Dividend income	36	—
Gain on disposal of investment securities	3,192	—
Gain on disposal of subsidiaries	3,703	—
Interest income	65	30
Write back of accounts payable	635	329
Others	483	378
	8,174	737
Total income	17,883	1,409

Notes to the Financial Statements

31 December 2004

6. Loss From Operating Activities

The Group's loss from operating activities is arrived at after charging:

	Notes	2004 HK\$'000	2003 HK\$'000
Cost of inventories sold and services provided	(i)	1,617	516
Depreciation		150	117
Deposits written off		400	93
Amortization of goodwill		2,692	39,782
Impairment of goodwill		2,921	38,552
Loss on disposal of fixed assets		27	513
Loss on disposal of subsidiaries		—	1,546
Unrealized holding loss on investment in securities		80	526
Loss on disposal of trading securities		13,665	232
Investment securities written off		—	200
Impairment loss of investment securities		16,029	—
Provision for diminution in investment in securities		550	—
Compensation for loss in trading securities		—	809
Minimum lease payments under operating lease in respect of land and buildings		282	604
equipment		—	2
Bad debts written off		6,129	6,074
Provision for doubtful debts		6,042	—
Deficit on revaluation of investment property		643	—
Preliminary expenses		26	—
Auditors' remuneration		320	320
Staff costs, including directors' emoluments:			
Wages and salaries		5,555	3,997
Pension contributions	(ii)	35	101
		5,590	4,098

The deposits written off, the amortization of goodwill, the impairment of goodwill, the loss on disposal of fixed assets, the unrealized holding loss on investments in securities, the loss on disposal of trading securities, the provision for diminution in investment in securities, the compensation for loss in trading securities, the bad debts written off, the impairment loss of investment securities, the provision for doubtful debts and the deficit on revaluation of investment property are included in "Other operating expenses" on the face of the consolidated profit and loss account.

Notes to the Financial Statements

31 December 2004

6. Loss From Operating Activities (Continued)

- (i) The cost of inventories sold and services provided for the years ended 31 December 2004 and 31 December 2003 had not included any depreciation amount.
- (ii) At 31 December 2004 and 2003, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

7. Directors' Remuneration

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Executive directors:		
Fees	—	—
Other emoluments:		
Salaries, allowances and benefits in kind	4,304	1,921
Discretionary bonuses	—	60
Pension scheme contributions	12	22
	4,316	2,003
Independent non-executive directors:		
Fees	368	140
Other emoluments	—	—
	368	140

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	9	5
HK\$1,000,001 to HK\$2,000,000	1	—
HK\$2,000,001 to HK\$3,000,000	1	—
	11	5

Notes to the Financial Statements

31 December 2004

7. Directors' Remuneration (Continued)

There was no arrangement under which a director has waived or agreed to waive any emoluments during the current and prior years.

Save as disclosed above, during the current and prior years, no other emoluments were paid by the Group to any of the directors as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

During the year, 147,370,900 (2003: No) share options were granted to directors and the highest paid, non-director employees in respect of their services rendered to the Group. All these share options were cancelled before the year end date. At 31 December 2004, there was no unexecuted share options granted to the directors. The detailed movements of which during the year are set out under the heading "Share option scheme" in the Report of the Directors.

In the absence of a readily available market value for share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of these share options. Accordingly, no estimated value of such options has been charged to the profit and loss account as at the date of the grant.

8. Five Highest Paid Employees

The five highest paid employees during the year included four (2003: three) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining one (2003: two) non-director, highest paid employees are as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	145	454
Pension scheme contributions	6	18
	151	472

The number of employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2004	2003
Nil to HK\$1,000,000	1	2

Save as disclosed above, during the current and prior years, no other emoluments were paid by the Group to any of the non-director, highest paid employees abovementioned as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

Notes to the Financial Statements

31 December 2004

9. Finance Costs

	Group	
	2004	2003
	HK\$'000	HK\$'000
Interest expenses on:		
Convertible bonds	31	109
Finance leases	—	868
Other borrowings	365	377
	396	1,354

10. Taxation

Hong Kong Profits Tax has been provided for at the rate of 17.5% on the estimated assessable profit of the Group for the year. (2003: No Hong Kong profits tax has been provided for in the financial statements as the Group has no assessable profits for the year. Under provision of Hong Kong profits tax for prior year has been provided at the rate of 16%.)

	Group	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong profits tax		
— Provision for the year	1,359	—
— Under provision for prior year	—	8
	1,359	8

Notes to the Financial Statements

31 December 2004

10. Taxation (Continued)

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

	2004 HK\$'000	2003 HK\$'000
Accounting loss	(46,129)	(100,777)
Tax at the domestic rate of 17.5%	(8,073)	(17,640)
Income not subject to tax	(654)	—
Expenses not deductible for taxation purpose	5,919	14,033
Unrecognised tax losses	4,164	3,607
Utilisation of tax losses previously not recognised	(5)	—
Utilisation of taxable temporary difference previously not recognised	8	—
Under provision for prior year	—	8
Taxation charge	1,359	8

Taxation in the balance sheet represents provision for taxation for the current year.

At the balance sheet date and for the year then ended, there was no material unprovided deferred tax liability. Deferred tax asset arising from the tax losses has not been recognised as in the opinion of the directors that it is not probable that future taxable profits will be available against which tax losses can be utilised.

The principal components of the Group's deferred tax assets not recognized at the balance sheet date are as follows:

	Current year		At the balance sheet date	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Tax losses	3,214	3,607	8,586	5,372

The tax losses of the Group arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

11. Net Loss Attributable to Shareholders

The net loss attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company was HK\$208,563,000 (2003: HK\$27,283,000).

Notes to the Financial Statements

31 December 2004

12. Loss Per Share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$47,487,000 (2003: HK\$100,785,000), and the weighted average of 6,224,672,336 (2003: 1,119,035,981) ordinary shares in issue during the year, as adjusted to reflect the rights issue effected during the year.

Diluted loss per share for the years ended 31 December 2004 and 2003 have not been disclosed as the share options, bonus warrants, and the convertible bonds and notes outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

13. Fixed Assets

Group

	Investment property <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Computer equipment and software <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles and vessels <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:						
At 1 January 2004	943	—	21,127	249	280	22,599
Additions	—	20	83	5	—	108
Disposals	—	(20)	(7)	—	—	(27)
Deficit on revaluation	(643)	—	—	—	—	(643)
At 31 December 2004	300	—	21,203	254	280	22,037
Analysis of cost or valuation						
At cost	—	—	21,203	254	280	21,737
At valuation	300	—	—	—	—	300
At 31 December 2004	300	—	21,203	254	280	22,037
Accumulated depreciation:						
At 1 January 2004	—	—	21,127	177	70	21,374
Charge for the year	—	—	32	48	70	150
At 31 December 2004	—	—	21,159	225	140	21,524
Net book value:						
At 31 December 2004	300	—	44	29	140	513
At 31 December 2003	943	—	—	72	210	1,225

Notes to the Financial Statements

31 December 2004

13. Fixed Assets *(Continued)*

Group *(Continued)*

The Group's investment property is leased out under operating leases.

The Group's investment property was revalued at its open market value at 31 December 2004 by RHL Appraisal Ltd, an independent firm of professional valuers, on an open market value basis. The investment property was acquired through the acquisition of a subsidiary by the Group in 2003.

The Group's investment property is situated in Hong Kong and is held on a medium term lease.

14. Goodwill

The amounts of the Group's goodwill capitalized as an asset and recognized in the consolidated balance sheet, arising from the acquisition and disposal of subsidiaries, are as follows:

	<i>HK\$'000</i>
<hr/>	
Cost:	
At 1 January 2004	122,144
Addition during the year	4,000
Disposal	<u>(113,320)</u>
At 31 December 2004	<u>12,824</u>
Accumulated amortization:	
At 1 January 2004	114,102
Amortization during the year	2,692
Impairment	2,921
Disposal	<u>(106,899)</u>
At 31 December 2004	<u>12,816</u>
Net book value:	
At 31 December 2004	<u>8</u>
At 31 December 2003	<u>8,042</u>

During the year, the Group acquired a subsidiary of which the principal activity is provision of travel card business and disposed a number of subsidiaries by writing off the investments in subsidiaries. Further details of the acquisitions and disposals are set out in notes 28(b) and 28(c) to the financial statements.

Notes to the Financial Statements

31 December 2004

15 Interest in an Associate

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	—	3
<i>Less:</i> Provision for impairment	—	—
	—	3

The interest in an associate was held by a wholly-owned subsidiary which had been disposed of by the Group during the year.

The Group's share of the post-acquisition results of the associate up to the date of disposal has not been equity accounted for by the Group because the amounts are not significant.

Particulars of the associate as at 31 December 2003 disclosed pursuant to Section 129 of the Hong Kong Companies Ordinance were as follows:

Name	Place of incorporation and operations	Issued share capital	Percentage of equity attributable to the Group	Principal activities
Seven Perfect Investment Co., Ltd*	BVI	US\$1,000	35%	Investment holding

* Not audited by Albert Lam & Co., CPA.

Notes to the Financial Statements

31 December 2004

16. Investments in Securities

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment securities:		
Unlisted in Hong Kong, at cost	900	—
Other investments:		
Listed in Hong Kong, at market value	435	2,685
At 31 December	1,335	2,685
Carrying amount analyzed for reporting purposes as:		
Non-current	900	—
Current	435	2,685
	1,335	2,685

17. Promissory Notes Receivable

		Group	
		2004	2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Promissory notes receivable			
Elephant Talk Communications, Inc.	(a)	7,800	—
Elephant Talk Communications, Inc.	(b)	2,844	—
		10,644	—
Less: Provision for doubtful debt		(5,322)	—
		5,322	—

(a) Promissory notes with principal amount of HK\$7,800,000 in aggregate were issued by Elephant Talk Communications, Inc. to Fantastic Fiesta Limited which assigned these promissory notes to a subsidiary of the Company as a fee for the provision of financial services to Fantastic Fiesta Limited.

(b) Promissory notes with principal amount of HK\$2,844,000 in aggregate were issued by Elephant Talk Communications, Inc. as part of the consideration for the acquisition of certain investments in securities from a wholly-owned subsidiary of the Company.

Notes to the Financial Statements

31 December 2004

17. Promissory Notes Receivable *(Continued)*

- (c) Promissory notes are unsecured, convertible (in whole or in part) into shares of common stock of Elephant Talk Communications, Inc. in the case of default and interest bearing at 2.5% per annum for the initial one-year and increase to 4% per annum for the second year on the principal amount and all accrued interest unpaid. Promissory notes will mature on 31 March 2006.

18. Interests in Subsidiaries

	Company	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	—	3
Amounts due from subsidiaries	492,137	461,885
Amounts due to subsidiaries	(6,442)	(4,510)
	485,695	457,378
Provision for amounts due from subsidiaries	(492,137)	(300,820)
	(6,442)	156,558

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries are set out on pages 49 to 50 in this annual report.

19. Trade Receivables

The Group has a policy of allowing an average credit period of 60 days to its trade customers.

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date and net of provisions, was as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within 30 days	—	1

20. Loan Receivable

The loan is unsecured, interest bearing at the rate of 9% per annum and will mature in January 2005.

Notes to the Financial Statements

31 December 2004

21. Cash and Cash Equivalents

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	347	260	306	172

22. Trade Payables

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within 30 days	—	—
31-60 days	—	—
61-90 days	—	—
Over 90 days	273	652
	273	652

23. Amount due to a Director

The amount due is unsecured, interest free and repayable on demand.

24. Short-Term Loans

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loan from a major shareholder	—	50	—	50
Loans from third parties	—	1,200	—	1,200
	—	1,250	—	1,250

Loan from third parties to the extent of HK\$400,000 were charged at the interest rate of 1.25% per month and the remaining HK\$800,000 were charged at the interest rate of approximately 54% per annum. The loans of HK\$800,000 and HK\$400,000 have been settled on 25 February 2004 and 27 February 2004 respectively. Loan from a major shareholder was interest-free. All these short term loans were unsecured and repayable within one year.

Notes to the Financial Statements

31 December 2004

25. Convertible Bonds

Convertible bonds payable

Convertible bonds (the "Bonds") in the principal amount of HK\$3,000,000 were issued by the Company on 5 September 2003 in favor of four independent third parties pursuant to a bond placement agreement dated 25 August 2003. The Bonds were repayable on 4 September 2004 and interest bearing at 12% per annum. During the year ended 31 December 2003, an amount of HK1,500,000 of the Bonds and accrued interest of HK\$50,795 had been converted into 48,462,327 conversion shares. During the year ended 31 December 2004, the outstanding principal amount of HK\$1,500,000 of the Bonds and accrued interest of HK\$71,211 had been converted into 49,100,341 conversion shares (Note 26(i)).

26. Issued Capital

The following is a summary of movements in the issued share capital of the Company:

Shares

	<i>Notes</i>	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK'000
Authorized:			
At 31 December 2003 and 2004		30,000,000,000	300,000
Issued and fully paid:			
At 1 January 2004		1,306,815,236	13,068
Conversion of convertible bonds and accrued interests	<i>(i)</i>	49,100,341	491
New issue of shares by way of rights issue	<i>(ii)</i>	5,423,662,308	54,237
Exercise of share options	<i>(iii)</i>	67,795,700	678
Cancellation of paid up ordinary share capital	<i>(iv)</i>	(13,584,905)	(136)
At 31 December 2004		6,833,788,680	68,338

The following changes in the Company's issued share capital took place during the year:

- (i) On 28 January 2004, an aggregate amount of HK\$1,500,000 of convertible bonds and the accrued interest were converted into 49,100,341 ordinary shares of HK\$0.01 each at a convertible price of HK\$0.032 per share pursuant to the conversion terms and conditions of the bonds. The excess of the consideration received over the nominal value of the shares issued, in the amount of approximately HK\$1,080,000, was credited to the share premium account.

Notes to the Financial Statements

31 December 2004

26. Issued Capital *(Continued)*

Shares *(Continued)*

- (ii) On 26 February 2004, the Company issued 5,423,662,308 shares by rights issue in the proportion of 4 Rights Shares for every 1 share at a subscription price HK\$0.01 per share to provide working capital for the Group.
- (iii) On 16 June 2004 and 24 June 2004, totally 67,795,700 ordinary shares of HK\$0.01 each in the Company were issued to certain option holders under the share option scheme operated by the Company at a price of HK\$0.011 per share. The excess of the consideration received over the nominal value of the shares issued, in the amount of approximately HK\$68,000, was credited to the share premium account.
- (iv) In October 2003, a former holder of the convertible bonds of the Company had taken legal proceedings against the Company in respect of a conversion of convertible bonds having an aggregate amount of par value of HK\$720,000 into shares without his consent during 2002. In accordance with a High Court Judgment dated 6 July 2004, 13,584,905 shares of the Company must be rectified by striking out from the register of members of the Company.

Shares issued during the year rank pari passu in all respects with shares in issue at that time.

Share options

The Company operates a share option scheme (the "Scheme"). On 26 June 2000, the Scheme was approved pursuant to a written resolution of the Company. The purpose of the Scheme is to enable the Group to grant options to employees as incentives or rewards for their contribution to the Group. The board of directors may, at their discretion, grant options to any full-time employee of the Company or its subsidiaries, to subscribe for shares of the Company. The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other schemes by the Company must not exceed 10% of the shares in issue from time to time. A non-refundable nominal consideration of HK\$1 is payable by the grantee upon acceptance of an option.

The exercise price of the share options is determinable by the directors but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

The maximum number of share in respect of which options may be granted under the Scheme may not, when aggregated with any shares subject to any other share option schemes of the Company, exceed 10 per cent of the issued share capital of the Company from time to time.

Notes to the Financial Statements

31 December 2004

26. Issued Capital (Continued)

Share options (Continued)

At the beginning of the year, there were 588,800 share options outstanding under the Scheme, which entitled the holders to subscribe for shares of the Company at any time during the periods ranging from 23 July 2001 to 25 June 2010. The subscription prices per share payable upon the exercise of these options are HK\$4.02 and HK\$4.05.

Details of the movement in the share options granted, exercised or cancelled during the year are set out under the heading "Share option scheme" in the Report of the Directors.

27. (Deficit)/Reserves

Group

	Share premium account <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	528,121	(444,777)	83,344
Issue of shares	8,494	—	8,494
Share issue expenses	(161)	—	(161)
Net loss for the year	—	(100,785)	(100,785)
At 31 December 2003 and 1 January 2004	536,454	(545,562)	(9,108)
Cancellation of paid up ordinary share capital	(584)	—	(584)
Issue of shares	1,148	—	1,148
Share issue expenses	(2,833)	—	(2,833)
Net loss for the year	—	(47,487)	(47,487)
At 31 December 2004	534,185	(593,049)	(58,864)

At 31 December 2004 and 2003, all the (deficit)/reserves were retained by the Company and its subsidiaries and none (2003: None) of such (deficit)/reserves was retained by associates.

Notes to the Financial Statements

31 December 2004

27. (Deficit)/Reserves (Continued)

Company

	Share premium account <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	528,121	(372,265)	155,856
Issue of shares	8,494	—	8,494
Share issue expenses	(161)	—	(161)
Net loss for the year	—	(27,283)	(27,283)
At 31 December 2003 and 1 January 2004	536,454	(399,548)	136,906
Cancellation of paid up ordinary share capital	(584)	—	(584)
Issue of shares	1,148	—	1,148
Share issue expenses	(2,833)	—	(2,833)
Net loss for the year	—	(208,563)	(208,563)
At 31 December 2004	534,185	(608,111)	(73,926)

Notes to the Financial Statements

31 December 2004

28. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of loss from operating activities to net cash used in operating activities

	2004 HK\$'000	2003 HK\$'000
Loss from operating activities	(45,733)	(99,423)
Adjustments for:		
Interest income	(65)	(30)
Amortization of goodwill	2,692	39,782
Impairment of goodwill	2,921	38,552
Depreciation of fixed assets	150	117
Loss on disposal of fixed assets	27	513
(Gain)/loss on disposal of subsidiaries	(3,703)	1,546
Gain on disposal of investment securities	(3,192)	—
Investment securities written off	—	200
Bad debts written off (Note 28(d)(i))	6,034	—
Provision for doubtful debt (Note 28(d)(ii))	1,422	—
Provision for diminution in investment securities	550	—
Deficit on revaluation of investment property	643	—
Impairment of investment securities	16,029	—
Unrealised holding loss on investments securities	80	526
Loss on disposal of trading securities	13,665	232
Operating loss before working capital changes	(8,480)	(17,985)
Decrease in trade receivables	1	674
Increase in loan receivable	(1,500)	—
Increase in promissory notes receivable	(3,900)	—
Decrease in deposits, prepayments and other receivables	92	11,245
Decrease in trade payables	(379)	(46)
(Decrease)/increase in amount due to a director	(417)	1,693
(Decrease)/increase in other payables and accruals	(2,636)	2,184
Cash used in operations	(17,219)	(2,235)
Interest paid	(396)	(486)
Interest element on finance lease rental payments	—	(868)
Hong Kong profits tax paid	(10)	—
Hong Kong profits tax refunded	5	—
Net cash used in operating activities	(17,620)	(3,589)

Notes to the Financial Statements

31 December 2004

28. Notes to the Consolidated Cash Flow Statement (Continued)

(b) Acquisition of subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net assets acquired:		
Investment property	—	943
Other payables and accruals	—	(67)
	—	876
Goodwill arising from acquisition	4,000	24
	4,000	900
Satisfied by:		
Cash	4,000	900

An analysis of the net cash outflow in respect of the acquisition of subsidiaries is as follows:

	2004 HK\$'000	2003 HK\$'000
Cash consideration	4,000	900

During the year, the following significant acquisition took place:

Acquiree	Place of incorporation	Principal activities	Percentages of voting shares acquired	Cost of acquisition HK\$'000	Effective date of acquisition
Mazars Company Limited	Marshall Islands	Provision of travel card business	51%	4,000	11 March 2004

Note: The subsidiary acquired during the year ended 31 December 2004 had no significant contribution to the Group's net operating activities cash flow and did not contribute to investing activities and financing activities.

Notes to the Financial Statements

31 December 2004

28. Notes to the Consolidated Cash Flow Statement *(Continued)*

(c) Disposal of subsidiaries

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net assets disposed of:		
Interest in an associate	3	—
Deposits, prepayments and other receivables	922	906
Cash and bank balances	6	14
Tax payable	(3)	—
Other payables and accruals	(2,888)	(577)
	(1,960)	343
Unamortised goodwill	6,421	1,203
Gain/(loss) on disposal of subsidiaries	3,703	(1,546)
	8,164	—
Satisfied by:		
Cash	130	—
Other receivable <i>(Note 28(d))</i>	8,034	—
	8,164	—

An analysis of the net cash inflow in respect of the disposal of subsidiaries is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cash consideration	130	—
Cash and bank balances disposed of	(6)	—
Net cash inflow	124	—

The subsidiaries disposed of during the year ended 31 December 2004 had no significant impact to the Group's net operating activities cash flow and did not contribute to investing activities and financing activities.

Notes to the Financial Statements

31 December 2004

28. Notes to the Consolidated Cash Flow Statement *(Continued)*

(d) Major non-cash transactions

- (i) During the year, the Group disposed of one of its subsidiaries at a consideration of HK\$8,034,000 which was included in other receivables. Among the receivable amount of HK\$8,034,000, HK\$6,034,000 has been written off as bad debts during the year with the balance of HK\$2,000,000 included in deposits, prepayments and other receivables at 31 December 2004.
- (ii) During the year, the Group disposed of one of its investment securities at a consideration of HK\$4,858,500 representing unsecured convertible promissory notes having a carrying amount of HK\$2,844,000 and restricted shares having a carrying amount of HK\$2,014,500 respectively. Among the unsecured convertible promissory notes of HK\$2,844,000, HK\$1,422,000 has been provided as doubtful debt.

29. Contingent Liabilities

As at 31 December 2004, contingent liabilities not provided for in the financial statements were as follows:

	Group and Company	
	2004	2003
	HK\$'000	HK\$'000
Guarantees given to securities dealers in connection with financing facilities granted to subsidiaries	—	15,000

31. Operating Lease Commitments

At 31 December 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within one year	—	105
In the second to fifth years, inclusive	—	55
	—	160

At 31 December 2004, the Company had no significant commitments (2003:Nil).

Notes to the Financial Statements

31 December 2004

32. Future Operating Lease Income

At the balance sheet date, the total future minimum lease payments under a non-cancellable operating lease are receivable as follow:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Not later than one year	—	12

During the year, an undated tenancy agreement has been entered into between a subsidiary and a third party with a monthly rental income of HK\$1,500 for an unspecified period.

33. Post Balance Sheet Events

- (a) In April 2005, the Group had disposed of all of the investments in securities held for non-trading purpose at the original acquisition cost of HK\$900,000.

34. Related Party Transactions

The Group had the following transactions with related parties during the year:

- (i) During the year, the Group acquired 10% of the issued share capital of Cherry Blossom Trading Co., Limited from So Siu Ngan Amy, the spouse of Mak Chi Yeung. At the time of acquisition of these shares, Mak Chi Yeung was the chairman of the Group. The consideration for the acquisition was HK\$900,000. (2003: During the year, the Group has acquired the entire issued share capital of Gold Union Investment Limited from Mak Chi Yeung, the chairman of the Company, and Sky Concord Development Limited, the ultimate holding company of the Company. The consideration for the acquisition was HK\$900,000).
- (ii) During the year, So Siu Ngan Amy, the spouse of Mak Chi Yeung, has made a interest-free loan of HK\$140,000 to the Company which has repaid this loan during the year.
- (iii) During the year, a contract was entered into between a subsidiary of the Company and New Times Navigation Limited ("NTN") for the system design and programme development of a website for a consideration of HK\$900,000. This consideration together with a prepaid maintenance fee of HK\$300,000 totalling HK\$1,200,000 has been paid as deposits during the year. Mr. Kong Lung Cheung has been appointed as a director of NTN and the Company on 19 February 2004 and 13 August 2004 respectively while the design and development of website was still in progress and thus has benefit interest in such transaction.

35. Approval of the Financial Statements

The financial statements were approved and authorized for issue by the board of directors on 25 April 2005.

Principal Subsidiaries

The following table lists the subsidiaries of the Company which, in opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Place of incorporation/ registration/ and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Offshore Trinity Ltd. #	BVI	US\$1	100%	—	Investment holding
renren Asset Management Ltd.	BVI	US\$1	100%	—	Investment holding
Winning Luck International Ltd. #	BVI	US\$1	100%	—	Investment holding
Chain Up Limited *	BVI	US\$1	100%	—	Investment holding
Wiseford Ltd. #	BVI	US\$1,000	38%	49%	Investment holding
Gold Cross Investments Ltd.	BVI	US\$1	—	100%	Securities investment
Grandmax International Ltd. #	BVI	US\$1	—	100%	Investment holding
Jet Concord Inc.	BVI	US\$1	—	100%	Securities investment
Magic Tech Ltd. #	BVI	US\$1	—	100%	Investment holding
Magna Steel Co. Ltd. #	BVI	US\$1,000	—	100%	Investment holding
Polywise Ltd.	BVI	US\$1	—	100%	Investment holding
Union Sun Trading Ltd.	BVI	US\$1	—	100%	Securities investment
Union Key Ltd.	BVI	US\$1	—	100%	Investment holding
renren Trading Limited (Formerly known as "Gold Union Investment Ltd.")	Hong Kong	HK\$2	—	100%	Property holding

Principal Subsidiaries

Name	Place of incorporation/ registration/ and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
renren Music Ltd. #	Hong Kong	HK\$2	—	100%	Provision of short message system technology
Great Toll Investment Ltd.	Hong Kong	HK\$2	—	100%	Dormant
renren Finance and Credit Ltd.	Hong Kong	HK\$100	—	100%	Engage in money lender business
renren Ltd.	Hong Kong	HK\$2	—	100%	Provision of administration services to companies in the group
Levista 1968 Ltd. #	Hong Kong	HK\$1,000	—	51%	Provision of telecommunication services
Sherman Capital Ltd.	Hong Kong	HK\$2	—	100%	Investment holding
Univision Telecom Ltd. #	Hong Kong	HK\$1,000	—	55%	Provision of telecommunication services
Mazars Company Ltd. *	Marshall Islands	US\$100	—	51%	Provision of travel card business
United Prime Limited *	BVI	US\$1	—	100%	Provision of internet and website services

* Being subsidiaries acquired/incorporated during the year.

Being subsidiaries disposed of during the year.

Summary Financial Information

A summary of the published results and of the assets and liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

Results

	Year ended 31 December				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover					
Continuing operations	9,709	672	16,649	17,612	1,395
Discontinued operations	—	—	—	—	80,921
	9,709	672	16,649	17,612	82,316
Operating loss (excluding finance costs)					
Continuing operations	(45,733)	(99,423)	(88,034)	(83,019)	(188,518)
Discontinued operations	—	—	—	—	(1,333)
	(45,733)	(99,423)	(88,034)	(83,019)	(189,851)
Finance costs	(396)	(1,354)	(1,299)	(1,811)	(573)
Operating loss before taxation	(46,129)	(100,777)	(89,333)	(84,830)	(190,424)
Taxation	(1,359)	(8)	—	—	—
Loss before minority interests	(47,488)	(100,785)	(89,333)	(84,830)	(190,424)
Minority interests	1	—	—	5	—
Net loss attributable to shareholders	(47,487)	(100,785)	(89,333)	(84,825)	(190,424)

Summary Financial Information

Assets and Liabilities

	Year ended 31 December				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Non-current assets	6,743	9,270	88,658	41,917	9,850
Current assets	7,093	6,771	20,780	46,421	95,833
	13,836	16,041	109,438	88,338	105,683
Representing:					
Issued capital	68,338	13,068	6,200	100,302	76,004
(Deficit)/Reserves	(58,864)	(9,108)	83,344	(44,551)	(7,131)
Shareholders' funds	9,474	3,960	89,544	55,751	68,873
Non-current liabilities	—	—	—	1,005	6,553
Current liabilities	4,362	12,081	19,894	31,582	30,257
	13,836	16,041	109,438	88,338	105,683