enterpriseAsia

2005

enterpriseAsia plc

Directors' Report and Financial Statements for the year ended 31 December 2005

CONTENTS

COMPANY INFORMATION

Directors	Davie Auyeung (Non-Executive Chairman) Ka Hang Lai (Chief Executive Officer) Phillip Brown (Corporate Relations Director) Philip Bing Lun Lam (Non-Executive Director)
Secretary	Phillip Brown
Company Number	3907093 (England & Wales)
Registered Office	Albion Mills Greengates Bradford West Yorkshire BD10 9TQ
Bankers	HSBC Bank plc 47 Market Street Bradford West Yorkshire BD1 1LW
Auditors	MRI Moores Rowland LLP 3 Sheldon Square London W2 6PS
Nominated Adviser	Insinger de Beaufort 131 Finsbury Pavement London EC2A 1NT
Broker	Fiske plc Salisbury House London Wall London EC2M 5QS
Solicitors	Orchard, Brayton, Graham LLP 6 Snow Hill London EC1A 2AY
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

CHAIRMAN'S STATEMENT

The Board is pleased to report further progress in the period under review.

The Company reduced its losses by 46% to £206,368 for the year ended 31 December 2005 (2004: £381,893).

The Company continues to develop its portfolio in the energy/waste management sector in China with the main focus on Guangdong province.

The waste incineration plant in Dongguan City (in which your Company has a 9.7% interest) is performing ahead of forecast and, at the end of 2005, achieved a net profit of 11 million Yuan (approximately £760,000). It is now treating 200,000 tonnes of waste and generating over 70 million kWh of electricity per year. I am pleased to report that its environmental operating standards are seen as a good example by Chinese regulatory authorities – an important aspect in a country where it is your Company's belief that concern for the environment is no longer a Cinderella issue. The plant has attracted favourable interest from Chinese municipal authorities who face the twin problems of local energy shortages and increases in the production of waste (particularly domestic waste thanks to the increasing affluence of the consumer society in China).

Because of that interest, approval has been granted to construct a similar plant in Shantou. Phase I of this plant will be able to handle 100,000 tonnes waste per year and have an electricity generating capacity of 9MW producing an estimated 40m kWh per year. Subject to final terms and conditions and the acquisition of the necessary funds, your directors propose to invest in a 25% interest in the Shantou plant. Looking further ahead, both the Dongguan and Shantou plants offer opportunities for expansion on adjacent sites and, given the nature of the energy and waste management sectors where supply is struggling to cope with demand (and that is even at the very lowest of environmental standards), your directors feel that these offer further opportunities to develop the company's portfolio in the short term.

Turning to other projects in the energy sector, your company has acquired a small (0.24%) interest in an existing oil fired plant in Dongguan City with a capacity of 66MW. Your directors are aware that this plant is likely to convert to natural gas which is thought to offer both environmental and commercial benefits. Should the fuel conversion take place, your company has an option to increase its interest to 2.4% using the Company's shares as consideration. In the same area, a new gas fired station is under construction (taking fuel from the new gas terminal at Zhuhai) and, again, your company has an option to acquire a 4.29% interest, subject to the availability of funds.

These projects represent the tip of the iceberg in terms of the potential which your directors believe are available. Your company has built up a strong network of contacts and I believe we are exceptionally well placed to exploit these investment opportunities. The priority for the Company is to acquire critical mass but, to achieve this, we are faced with a chicken and egg dilemma – we need additional funding to take maximum advantage of the opportunities we have developed but such funding is understandably hard to find when we are still relatively small i.e. before we reach critical mass. To that end, I am very grateful to those existing shareholders who have continued to support the Company by further investing in its activities and I share the desire of all shareholders to make progress as quickly as possible. I am very hopeful that we will see a faster pace develop over the coming year.

Davie Auyeung
Chairman

19 May 2006

DIRECTORS' REPORT

The directors submit their report and the financial statements for the year to 31 December 2005.

Principal activities

The principal activity of the Company and Group was to invest in the energy and environmental sectors in China.

It is considered that the development of the Group and its position at 31 December 2005 are fairly set out in the accompanying financial statements.

Results and dividends

The results for the year are set out on page 8.

The directors do not recommend a dividend payment for the year.

Financial risk management

The company's operations potentially expose it to a variety of financial risks that include the effects of changes in market price, credit risks, liquidity risk and cash flow risk.

The company does not use derivative financial instruments to manage financial risks, and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The company implements the policies set by the board of directors.

Price risk

The company is exposed to price risk as a result of its operations. Given the size of the company, the cost of managing exposure to price risk is considered to exceed the potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Credit risk

The company has implemented policies that require credit checks where appropriate.

Liquidity and cash flow risk

The company actively monitors its financial position to ensure the company has sufficient available funds for operations and planned expansions.

Creditor payment policy

The Group agrees terms and conditions for its business transactions with suppliers. Payment is then made in accordance with these terms, subject to the supplier fulfilling its obligations. On average, payment is made to suppliers around thirty days after receipt of invoice.

Directors' interests in shares

The directors who have held office and their beneficial interest in the shares of the Company during the year and at the date of this report are set out below:

		Ordinary shares	
	19 May 2006	**31 December 2005**	**31 December 2004**
Phillip Brown	-	-	-
Philip Bing Lun Lam	-	-	-
Ka Hang Lai*	-	-	-
Davie Auyeung	74,000	74,000	2,000

**See note on "Substantial share interests" below.*

Substantial share interests

The following interests in 3% or more of the issued ordinary share capital have been notified to the Company as at 20 April 2006.

	Number	**Percentage**
Try On Limited	1,524,482	48.91%
Beechvale Holdings Limited	496,500	15.93%

Ka Hang Lai has a 50% (2004: 0.01%) interest in Try On Limited.

Directors' responsibilities

Company law requires the directors to prepare financial statements that give a true and fair view of the state of affairs of the Company and the Group and of the profit and loss of the Group for the financial year. In doing so the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate governance

The combined code

The Company aims to comply with the principles set out in Section 1 of the Combined Code.

Detailed below are provisions that have not been complied with:

The Group's business has not developed sufficiently, in the directors' opinion, to warrant the establishment of an audit committee and a remuneration committee. Consequently, there are no reports prepared by management relating to the interim and annual accounts and to the system of internal control. A report to the shareholders by the Board detailing the remuneration policy and benefits has not been prepared.

Going concern

The financial statements have been prepared on a going concern basis, since the directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that MRI Moores Rowland LLP be reappointed as auditors of the Company will be put to the Annual General Meeting.

By order of the Board

Phillip Brown
Director

19 May 2006

INDEPENDENT AUDITORS' REPORT

To the shareholders of enterpriseAsia plc

We have audited the financial statements of enterpriseAsia plc on pages 8 to 25 for the year ended 31 December 2005. These financial statements have been prepared under the historical cost convention and the accounting policies set out in these financial statements.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 6, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. 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 Company's circumstances, 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 that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31 December 2005 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MRI Moores Rowland LLP
Chartered Accountants

Registered Auditor

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2005

	Note	2005 £	2004 £
Turnover	3	**71,403**	-
Administrative expenses		**(292,314)**	(380,479)
Impairment loss on investments		**-**	(77,423)
		(220,911)	(457,902)
Other operating income		**4,839**	4,202
Operating loss	4	**(216,072)**	(453,700)
Exceptional items		**-**	60,331
Interest receivable and similar income	5	**9,704**	11,476
Loss on ordinary activities before taxation		**(206,368)**	(381,893)
Tax on loss on ordinary activities	6	**-**	-
Loss for the year		**(206,368)**	(381,893)
Basic and diluted loss per share (pence)	8	**(7.64)**	(31.88)

The profit and loss account has been prepared on the basis that all operations are continuing.

There are no recognised gains and losses other than those passing through the profit and loss account.

CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	Note	2005 £	2004 £
Fixed assets			
Intangible assets	9	**346,154**	-
Tangible assets	10	**1,241**	1,588
Investments	11	**202,025**	152,025
		549,420	153,613
Current assets			
Investments	12	**-**	-
Debtors	13	**88,932**	20,705
Cash at bank and in hand		**491,518**	480,044
		580,450	500,749
Creditors: amounts falling due within one year	14	**(51,259)**	(55,383)
Net current assets		**529,191**	445,366
NET ASSETS		**1,078,611**	598,979
CAPITAL AND RESERVES			
Called up share capital	15	**31,168**	11,980
Share premium account	16	**666,812**	-
Profit and loss account	16	**380,631**	586,999
Shareholders' funds – equity interests	17	**1,078,611**	598,979

Approved and authorised for issue by the Board of Directors on 19 May 2006

Ka Lai
Director

Phillip Brown
Director

COMPANY BALANCE SHEET
As at 31 December 2005

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	10	**35**	53
Investments	11	**421,397**	999
		421,432	1,052
Current assets			
Debtors	13	**10,984**	16,345
Cash at bank and in hand		**270,695**	213,761
		281,679	230,106
Creditors: amounts falling due within one year	14	**(43,748)**	(72,666)
Net current assets		**237,931**	157,440
NET ASSETS		**659,363**	158,492
CAPITAL AND RESERVES			
Called up share capital	15	**31,168**	11,980
Share premium account	16	**666,812**	-
Profit and loss account	16	**(38,617)**	146,512
Shareholders' funds – equity interests	17	**659,363**	158,492

Approved and authorised for issue by the Board of Directors on 19 May 2006

Ka Lai
Director

Phillip Brown
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2005

	Note	2005 £	2004 £
Net cash outflow from operating activities	18	**(273,921)**	(337,385)
Returns on investments and servicing of finance			
Bank interest received		**9,704**	11,476
Profit on foreign exchange		**-**	435
Net cash inflow for returns on investments and servicing of finance		**9,704**	11,911
Capital expenditure and financial investments			
Payments to acquire tangible assets		**(317)**	(71)
Proceeds on disposal of tangible fixed assets		**8**	-
Payments to acquire intangible asset		**(360,000)**	-
Payments to acquire current asset investments		**-**	(8,837)
Payments to acquire fixed asset investment		**(50,000)**	-
Loan to an investee company		**-**	(68,586)
Net cash outflow for capital expenditure		**(410,309)**	(77,494)
Net cash outflow before management of liquid resources and financing		**(674,526)**	(402,968)
Financing			
Issue of new shares		**686,000**	-
Net cash inflow from financing		**686,000**	-
Net increase/(decrease) in cash in the year	18(b)	**11,474**	(402,968)

1. PRINCIPAL ACCOUNTING POLICIES

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold improvements	50% straight line
Furniture and fixtures	25% straight line
Office equipment	33% straight line

The carrying value of the tangible assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

1.4 Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases.

Rentals payable under operating leases are recognised as an expense on a straight line basis over the lease terms.

1.5 Investments

Investments are stated at cost less impairment in value.

1.6 Basis of consolidation

The consolidated financial statements include the financial statements of the parent company and its subsidiaries made up to 31 December 2005, except where indicated below:

Some investments that would normally be included as associates have not been included in the group figures as, under FRS 9 “Associates and joint ventures”, these investments are part of an investment portfolio and are disclosed as unlisted investments and current asset investments at the lower of cost and net realisable value.

1.7 Foreign currency translation

Monetary assets, current asset investments and monetary liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are recorded at the rate ruling at the date of transaction. All gains or losses arising on exchange are taken to the profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.8 Financial instruments

The Group does not undertake any trading activity in financial instruments. Additional information on the Group's financial instruments are provided in note 19.

1.9 Pension costs

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by the independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately. Contributions payable to the Group's pension scheme are charged to the profit and loss account in the year to which they relate and are accounted for in accordance with FRS17.

1.10 Intangible assets

Domain name

The initial cost of acquiring domain name is capitalised and amortised over a sharing period of five years in equal annual instalments. Annual impairment reviews will be carried out.

Right of profit sharing

The initial cost of acquiring right of profit sharing is capitalised and amortised over a sharing period of twenty-six years in equal annual instalments. Annual impairment reviews will be carried out.

1.11 Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of FRS 19 "Deferred Tax". Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

2. PARENT COMPANY RESULTS

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included as part of these financial statements. The parent company's loss for the financial year was £185,129 (2004: £266,837).

3. TURNOVER

The principal activities of the Group and the Company are investment holding during the year.

The turnover represented the investment income generated from the right to share profits of Dongguan Bohai Environmental Protection Resources Development Company Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

4. OPERATING LOSS

	2005	2004
This is stated after charging:	£	£
Depreciation of tangible assets	**550**	3,384
Operating lease charges on premises	**14,165**	10,730
Directors' remuneration for qualifying services	**59,938**	59,286
Auditors' remuneration		
Hong Kong – audit fee	**11,171**	7,666
UK – audit fee	**13,521**	17,471
UK – other services	**135**	9,969

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005	2004
	£	£
Bank interest	**9,704**	11,476

6. TAXATION

	2005	2004
	£	£
Taxation: current tax charge	**-**	-
Factors affecting the tax charge for the year:		
Loss on ordinary activities before tax	**(206,368)**	(381,893)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% *(2004: 30%)*	**(61,910)**	(114,568)
Effects of:		
Non-deductible expenses	**206**	36
Provision against investments and intangible assets	**-**	23,227
Tax losses unutilised:		
- UK	**55,332**	80,015
- Overseas	**6,372**	11,290
	61,910	114,568
Current tax charge	**-**	-

The Company has estimated losses of £1,579,163 *(2004: £1,394,722)* available for carry forward against future taxable profits of the same trade.

There is no corporation tax charge for the year due to the losses incurred during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

7. EMPLOYEES

Number of employees	**2005 Number**	2004 Number
The average monthly number of employees (including directors) during the year was:		
Investment management	**4**	5
Administration	**2**	1
	6	6

Employment costs (including directors)	**2005 £**	2004 £
Wages and salaries	**81,171**	91,464
Other costs	**9,472**	10,329
	90,643	101,793

8. LOSS PER SHARE

	2005 £	2004 £
Loss before taxation	**206,368**	381,893
Weighted average number of shares in issue	**2,699,795**	1,197,990
Dilution effect of share in options	**-**	-
Diluted weighted average number shares	**2,699,795**	1,197,990
Basic loss per share (pence)	**7.64**	31.88
Diluted loss per share (pence)	**7.64**	31.88

9. INTANGIBLE ASSETS

Group	Right of profit sharing £	Domain name £	Total £
Cost			
At 1 January 2005	-	1,821	1,821
Additions	360,000	-	360,000
Disposal	-	(1,821)	(1,821)
At 31 December 2005	**360,000**	**-**	**360,000**
Provision for amortisation / impairment			
At 1 January 2005	-	1,821	1,821
Charge / provision for the year	13,846	-	13,846
Eliminated on disposal	-	(1,821)	(1,821)
At 31 December 2005	**13,846**	**-**	**13,846**
Net book value			
At 31 December 2005	**346,154**	**-**	**346,154**
At 31 December 2004	-	-	-

10. TANGIBLE ASSETS

	Group				Company		
	Leasehold improvements £	Furniture and fittings £	Office equipment £	Total £	Office equipment £	Furniture and fittings £	Total £
Cost							
At 1 January 2005	3,263	1,593	12,591	17,447	568	71	639
Addition	-	317	-	317	-	-	-
Disposals	-	(228)	-	(228)	-	-	-
At 31 December 2005	**3,263**	**1,682**	**12,591**	**17,536**	**568**	**71**	**639**
Accumulated depreciation							
At 1 January 2005	3,263	808	11,788	15,859	568	18	586
Charge for the year	-	422	128	550	-	18	18
Eliminated on disposal	-	(114)	-	(114)	-	-	-
At 31 December 2005	**3,263**	**1,116**	**11,916**	**16,295**	**568**	**36**	**604**
Net book value							
At 31 December 2005	**-**	**566**	**675**	**1,241**	**-**	**35**	**35**
At 31 December 2004	-	785	803	1,588	-	53	53

11. FIXED ASSET INVESTMENTS

Group	Listed investments £	Unlisted investments £	Total £
Cost			
At 1 January 2005	2,660,429	1,477,308	4,137,737
Strike off	-	(1)	(1)
Additions	-	50,000	50,000
At 31 December 2005	**2,660,429**	**1,527,307**	**4,187,736**
Provision for impairment			
At 1 January 2005	2,508,404	1,477,308	3,985,712
Eliminated on strike off	-	(1)	(1)
At 31 December 2005	**2,508,404**	**1,477,307**	**3,985,711**
Net book value			
At 31 December 2005	**152,025**	**50,000**	**202,025**
At 31 December 2004	152,025	-	152,025

Information on the listed investments:

Listed investments as at the year end consisted of the following:

Name of company	Place of incorporation	Class of shares held	Proportion of nominal value of issued capital held by the Group 2005	2004
Value Convergence Holdings Limited	Hong Kong	Ordinary	1.70%	1.78%

The market value of 4,247,022 shares of Value Convergence Holdings Limited at 31 December 2005 was £164,328 (2004: £186,994).

11. FIXED ASSET INVESTMENTS (CONTINUED)

Information on the unlisted investments:

Name of company	Country of incorporation /registration	Class of shares held	Proportion of the nominal value of issued capital held by the Group 2005	2004	Nature of business
iBASE Holdings Limited	Hong Kong	Ordinary	49%	49%	E-commerce business solutions
Net Fun Limited	Hong Kong	Ordinary	8%	8%	Computer games provider
Ample Harvest Profits Limited	British Virgin Islands	Ordinary "A"	-	49%	Investment holding
Lucky Man Investment Limited	Hong Kong	Ordinary	2%	-	Investment holding

Company	Loan to subsidiary undertakings £	Shares in subsidiary undertakings £
Cost		
At 1 January 2005	999	10,584,251
Addition	420,398	-
At 31 December 2005	**421,397**	**10,584,251**
Provision for impairment		
At 1 January 2005 and **at 31 December 2005**	**-**	**10,584,251**
Net book value		
At 31 December 2005	**421,397**	**-**
At 31 December 2004	999	-

The amounts due from subsidiary undertakings are unsecured, interest-free and repayable after one year.

11. FIXED ASSET INVESTMENTS (CONTINUED)

Information on principal subsidiary undertakings:

Name of company	Country of incorporation /registration	Class of shares held	Proportion of the nominal value of equity held by the *Group*	*Company*	Nature of business
enterpriseAsia Limited	Hong Kong	Ordinary	-	100%	Investment holding
enterpriseAsia.com (B.V.I.) Limited	British Virgin Islands	Ordinary	-	100%	Investment holding
Alternative Enterprises Limited	British Virgin Islands	Ordinary	100%	-	Investment holding
E-Market Assets Limited	British Virgin Islands	Ordinary	100%	-	Investment holding
E-Force Enterprises Limited	British Virgin Islands	Ordinary	100%	-	Investment holding
enterpriseAsia Consultants Limited	British Virgin Islands	Ordinary	100%	-	Investment holding
Dongguan Environmental Investment Limited	Hong Kong	Ordinary	100%	-	Dormant

12. CURRENT ASSET INVESTMENTS

Group

	Unlisted investments	Loan to an investee company	Convertible loans	Total
	£	£	£	£
Cost				
At 1 January 2005 and at 31 December 2005	8,837	68,586	130,501	207,924
Provision for impairment				
At 1 January 2005 and at 31 December 2005	8,837	68,586	130,501	207,924
Net book value				
At 31 December 2005	**-**	**-**	**-**	**-**
At 31 December 2004	-	-	-	-

12. CURRENT ASSET INVESTMENTS (CONTINUED)

Information on the unlisted investments:

Name of company	Country of incorporation /registration	Class of shares held	Proportion of the nominal value of issued capital held by the Group	Nature of business
Chinese Education Holding Company Limited	Hong Kong	Ordinary	45% (2004 : 90%)	Provision of overseas placement program
Hong Kong Institute of Vocational Learning Limited	Hong Kong	Ordinary	40% (2004 : 80%)	Provision of tutorial class

Loan to investee company
The loan to investee company represents an amount due from Chinese Education Holding Company Limited. The amount was provided against as the company is loss making and there is little expectation of recovery.

Convertible loan
This is a convertible loan of HK$1,500,000 (£130,501) due from iBASE Holdings Limited to the Company's subsidiary, Alternative Enterprises Limited. It is unsecured and interest was accrued on the outstanding loan amount on a daily basis at the prevailing Hong Kong Dollar prime lending rate less two percentage points and was originally due on 18 January 2004. Both parties agreed that the outstanding loan should be settled by installments commencing from November 2004. However, no repayment of loan has been made during the year.

13. DEBTORS

	Group		**Company**	
	2005	2004	**2005**	2004
	£	£	**£**	£
Trade debtors	**71,403**	232	**-**	-
Due from a related company	**1,201**	-	**-**	-
Prepayments and accrued income	**16,328**	20,473	**10,984**	16,345
	88,932	20,705	**10,984**	16,345

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2005	2004	**2005**	2004
	£	£	**£**	£
Trade creditors	**6,409**	8,527	**4,041**	5,099
Other creditors	**-**	-	**798**	23,632
Accruals	**41,208**	45,356	**35,297**	42,435
Due to a director	**3,642**	1,500	**3,612**	1,500
	51,259	55,383	**43,748**	72,666

15. SHARE CAPITAL

	2005	2004
	£	£
Authorised:		
300,000,000 ordinary shares of 1p each	**3,000,000**	3,000,000
Allotted, issued and fully paid:		
3,116,847 ordinary shares of 1p each		
(2004: 1,197,990 ordinary shares of 1p each)	**31,168**	11,980

On 13 January 2005, the issued share capital of the Company was increased to £17,740 by allotting 576,000 ordinary shares of 1p each, at a premium of 36.5p each, for the acquisition of the rights to share profits of Dongguan Bohai Environmental Protection Resources Development Co. Ltd. These shares rank pari passu with the existing shares in all respects.

By the board meeting held on 4 April 2005, the issued share capital of the Company was increased to £29,740 by allotting 1,200,000 ordinary shares of 1p each, at a premium of 34p each, for the provision of additional working capital to finance the Company's proposed participation in the Bohai waste incineration plant in the Southern China project. These shares rank pari passu with the existing shares in all respects.

On 25 August 2005, the issued share capital of the Company was increased to £31,168 by allotting 142,857 ordinary shares of 1p each, at a premium of 34p each, for the acquisition of interest in Lucky Man Investment Limited. These shares rank pari passu with the existing shares in all respects.

15. SHARE CAPITAL (CONTINUED)

Share option scheme

As at 31 December 2005 the Company has a share option scheme under which options for ordinary shares of 1 pence were granted to two previous directors as an incentive to achieve the Company's strategy. The Company also has further options granted for 1p ordinary shares as part of the original placing and offer for subscription. The number of shares exercisable pursuant to the share option scheme as follows:

Number of shares	Exercise price per share	Exercise period ending
9,000	£10	7 February 2010

16. STATEMENT OF MOVEMENTS ON RESERVES

Group	Share premium account £	Profit and loss account £
At 1 January 2005	-	586,999
Issue of share capital	666,812	-
Retained loss for the year	-	(206,368)
At 31 December 2005	**666,812**	**380,631**

Company		
At 1 January 2005	-	146,512
Issue of share capital	666,812	-
Retained loss for the year	-	(185,129)
At 31 December 2005	**666,812**	**(38,617)**

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2005	2004	**2005**	2004
	£	£	**£**	£
Loss for the financial year	**(206,368)**	(381,893)	**(185,129)**	(266,837)
Net reduction from shareholders' funds	**(206,368)**	(381,893)	**(185,129)**	(266,837)
Issue of share capital	**686,000**	-	**686,000**	-
Opening shareholders' funds	**598,979**	980,872	**158,492**	425,329
Closing shareholders' funds	**1,078,611**	598,979	**659,363**	158,492

18. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2005	2004
	£	£
Operating loss	**(216,072)**	(453,700)
Depreciation of tangible assets	**550**	3,384
Amortisation of intangible assets	**13,846**	-
Loss on disposal of tangible fixed assets	**106**	-
(Increase)/Decrease in debtors	**(68,227)**	19,031
(Decrease)/Increase in creditors	**(4,124)**	16,477
Impairment loss	**-**	77,423
Net cash outflow from operating activities	**(273,921)**	(337,385)

18(a) ANALYSIS OF NET FUNDS

	1 January 2005	**Cash flow**	**31 December 2005**
	£	£	£
Net cash:			
Cash at bank and in hand	480,044	11,474	491,518
Net funds	480,044	11,474	491,518

18(b) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2005 £	2004 £
Increase/(Decrease) in cash in the year	**11,474**	(402,968)
Movement in net funds in the year	**11,474**	(402,968)
Opening net funds	**480,044**	883,012
Closing net funds	**491,518**	480,044

19. FINANCIAL INSTRUMENTS

Financing

The Group's financial instruments comprise cash, trade debtors and trade creditors that arise directly from its operations. The main purpose of the financial instruments is to raise finance for the Group operations. The Group does not undertake any hedging activities as exposure to exchange rate fluctuations is limited.

20. RELATED PARTY TRANSACTIONS

Related party	Relationship	Nature	2005 £	2004 £
Chinese Education Holding Company Limited & Hong Kong Institute of Vocational Learning Limited	Investee companies	Expenses incurred on behalf	**2,206**	-
Lucky Man Investment Limited	Controlled by the father of a director	Acquisition of intangible assets	**360,000**	-
Mr. Lai Kin Sang, Dickson	Father of a director	Acquisition of fixed asset investments	**50,000**	-
SecondCurve Consultants Limited	Common director	Rental and administrative services fee received	**2,521**	2,521

21. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had total future minimum lease payments under non-cancelable operating leases, which are payable as follows:

	Group		Company	
	2005	2004	**2005**	2004
	£	£	**£**	£
Within one year	**-**	12,745	**-**	3,283

22. NET ASSET VALUE PER SHARE

The net asset value per share and the net asset value attributable to ordinary shareholders were as follows:

	Net asset value per share 2005	**Net asset value attributable to ordinary shareholders 2005**	Net asset value per share 2004	Net assets value attributable to ordinary shareholders 2004
Ordinary 1p shares	**34.61p**	**£1,078,611**	50.00p	£598,979

Basic net asset value per ordinary share is 34.61 which is based on net assets at the year end and on 3,116,847 ordinary shares *(2004: 1,197,990 ordinary shares)*, being the number of ordinary shares in issue at the year end.