2004

enterpriseAsia plc

Directors' Report and Financial Statements for the year ended 31 December 2004

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 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 significant progress in the period under review.

The Company reduced its losses by 44% to £381,893 for the year ended 31 December 2004 (2003: £684,423).

Two Extraordinary General Meetings were held during the year to agree the Company's new business strategy and to reorganise its capital structure. All resolutions were adopted and, in the case of the capital reduction, were approved by the Court. The balance sheet in these accounts reflects this capital reorganisation.

The Company's business strategy is now focused on making selective acquisitions in China within the rapidly growing energy and environmental sectors. Both sectors are key ingredients in the development of China's economy. Electricity is required not simply to power industrial development but also to provide energy to meet the needs of the growing consumer market. Currently, as is evidenced by local black-outs and reliance on factory and township diesel generators, this is not being effectively achieved. The increase in demand for electricity in 2003 over 2002 was 10% and the increase in 2004 is estimated by the directors to have been nearer 15%.

The environmental situation and associated opportunities have probably received much less publicity but are fast forcing their way higher up the agenda of public policy. Solid waste in China increased tenfold between 1980 and 2003 and nearly one half (now estimated at 6 billion tonnes) is dumped in the suburbs, untreated. This inadequate disposal creates environmental problems such as soil erosion and water pollution. A simple drive north on the Pearl River highway from Shenzhen to Guangzhou illustrates that pollution is now a very serious issue.

The Board believes that the increasing demand for power in China and the greater concern for the environment offer significant opportunities for enterpriseAsia to build a sizable investment portfolio. The Directors believe that by using their well established business networks in China, the Company will be able to access high quality projects.

enterpriseAsia is concentrating on Guangdong province where it is already well positioned. This southern China province has a population of approximately 75 million and its capital, Guangzhou (formerly known overseas as Canton), is China's third largest city after Beijing and Shanghai. The directors believe that the province reflects the new face of China. It is outward looking and is very comfortable about accommodating foreign joint ventures and investments - currently, Hong Kong and the USA provide the largest external investment flows with the top two from Europe being Germany and the Netherlands.

In early 2005, enterpriseAsia invested in the initial phases of a waste incineration plant in Houjie in the southern part of Guangdong, with the option of investing in further development of the plant. The first two phases are now fully operational and we are particularly encouraged by the success of this project to date. The plant is generating power and disposing of waste in an environmentally acceptable manner and, in doing so, is delivering profits for its shareholders which are expected to continue over the long term. In addition, it has received considerable support from the local authorities and represents a business model that is eminently scalable for replication elsewhere in the province. This model therefore represents a significant revenue opportunity for your Company in the medium term.

Building on this potential and in order to address more immediate opportunities, the Company has signed Heads of Terms to acquire an interest in an existing oil fired power station in Dongguan City and is also considering an opportunity to invest in a new gas fired plant in the same area.

The Dongguan plant has been in operation since 1997 and is expected to continue to show profits for 2005. Your Company is seeking to acquire a 5.76% interest and the Board is proposing to use the Company's shares as consideration. A possible 12% equity interest is available in the new gas plant for a cash consideration.

Should the proposed projects be completed, the Board believes that this will strengthen immensely the position of your Company. Putting these investments in place may need shareholders' approval and is likely to require further debt or equity finance.

CHAIRMAN'S STATEMENT

Looking to the longer term, the Board is very encouraged by the prospects of further opportunities in Guangdong province. We are exploring a number of opportunities including power generation, waste incineration and water purification. We are particularly encouraged by the possibility of the introduction of debt finance into some of these projects and this may give us access to more projects in the future.

Finally, a word on our legacy investments. We have an interest in two small education projects and, while we have no active role in the operation of these companies, we are encouraging the management to seek further funding from other investors to expand their activities. Our other legacy investment is in Value Convergence Holdings Ltd ("VCH"), a financial services company based in Hong Kong. I am pleased to note that VCH has reported a profit for the year 2004 and I believe we can look forward to steady progress in this respect.

Bolstered by the success of our new strategy and underpinned by a recent private placing to increase the Company's investment funds, I am very confident about the prospects for the future.

Davie Auyeung
Chairman

10 June 2005

DIRECTORS' REPORT

The directors submit their report and the financial statements for the year to 31 December 2004.

Principal activities

The principal activity of the Company and Group was to provide venture capital to early development businesses in the education and training sector with a focus on China. Part way through the year, the Board proposed a broadening of this strategy to encompass other sectors including the energy and environmental sectors. This change was approved by shareholders.

It is considered that the development of the Group and its position at 31 December 2004 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.

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	
	31 May 2005	**31 December 2004**	**31 December 2003**
Phillip Brown	-	-	10,000,000
Philip Bing Lun Lam	-	-	-
Ka Hang Lai	-	-	-
Davie Auyeung	74,000	2,000	400,000

Substantial share interests

The following interests in 3% or more of the issued ordinary share capital have been notified to the Company as at 23 May 2005.

	Number	**Percentage**
Try On Limited	1,381,625	46.5%
Beechvale Holdings Limited	496,500	16.7%

DIRECTORS' REPORT

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

10 June 2005

INDEPENDENT AUDITORS' REPORT

To the shareholders of enterpriseAsia plc

We have audited the financial statements of enterpriseAsia plc on pages 8 to 26 for the year ended 31 December 2004. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 United Kingdom Auditing Standards.

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 Auditing Standards 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 2004 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
Year ended 31 December 2004

	Note	2004 £	2003 £
Turnover	**3**		
Consultancy fee income		-	10,863
Administrative expenses		(380,479)	(570,484)
Impairment loss on investments		(77,423)	(150,975)
Impairment loss on intangible asset		-	(24,855)
Reversal of doubtful debts		-	28,814
		(457,902)	(706,637)
Other operating income		4,202	4,007
Operating loss	4	(453,700)	(702,630)
Exceptional items	5	60,331	-
Interest receivable and similar income	6	11,476	18,207
Loss on ordinary activities before taxation		(381,893)	(684,423)
Tax on loss on ordinary activities	7	-	-
Loss for the year		(381,893)	(684,423)
Basic and diluted loss per share (pence)	9	31.88	57.13

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

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2004

	Note	2004 £	2003 £
Fixed assets			
Intangible assets	10	-	-
Tangible assets	11	1,588	5,336
Investments	12	152,025	152,025
		153,613	157,361
Current assets			
Investments	13	-	1,275,092
Debtors	14	20,705	48,857
Cash at bank and in hand		480,044	883,012
		500,749	2,206,961
Creditors: amounts falling due within one year	15	(55,383)	(1,383,450)
Net current assets		445,366	823,511
Net assets		598,979	980,872
Capital and reserves			
Called up share capital	16	11,980	2,395,985
Share premium account	17	-	9,175,770
Profit and loss account	17	586,999	(10,590,883)
Shareholders' funds – equity interests	18	598,979	980,872

Approved and authorised for issue by the Board of Directors on 10 June 2005.

Ka Lai
Director

Phillip Brown
Director

COMPANY BALANCE SHEET

As at 31 December 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	11	53	-
Investments	12	999	999
		1,052	999
Current assets			
Debtors	14	16,345	28,751
Cash at bank and in hand		213,761	430,567
		230,106	459,318
Creditors: amounts falling due within one year	15	(72,666)	(34,988)
Net current assets		157,440	424,330
Net assets		158,492	425,329
Capital and reserves			
Called up share capital	16	11,980	2,395,985
Share premium account	17	-	9,175,770
Profit and loss account	17	146,512	(11,146,426)
Shareholders' funds – equity interests	18	158,492	425,329

Approved and authorised for issue by the Board of Directors on 10 June 2005.

Ka Lai
Director

Phillip Brown
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2004

	Note	2004 £	2003 £
Net cash outflow from operating activities	19	(337,385)	(512,269)
Returns on investments and servicing of finance			
Bank interest received		11,476	13,561
Other interest income		-	4,646
Profit on foreign exchange		435	-
Net cash inflow for returns on investments and servicing of finance		11,911	18,207
Capital expenditure and financial investments			
Payments to acquire tangible assets		(71)	(121)
Proceeds on disposal of tangible fixed assets		-	41
Payments to acquire tangible fixed asset investments		-	(806)
Payments to acquire current asset investments		(8,837)	-
Loan to an investee company		(68,586)	-
Net cash outflow for capital expenditure		(77,494)	(886)
Net cash outflow before management of liquid resources and financing		(402,968)	(494,948)
Net decrease in cash in the year	19b	(402,968)	(494,948)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

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 fixed assets 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 any 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 2004, except where indicated below:

In accordance with FRS2 'Accounting for subsidiary undertakings' the group have excluded from consolidation Chinese Education Holding Company Limited and Hong Kong Institute of Vocational Learning Limited on the grounds that the interests in these companies are held exclusively with a view to subsequent resale. The subsidiaries are recorded as current asset investments at the lower of cost and net realisable value.

Some investments that would normally be included as associates have not been included in the group figures as, under FRS9 'Associates and joint ventures', these investments are part of an investment portfolio and are disclosed as unlisted investments.

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.

1.8 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 20.

1.9 Pension costs

There is a statutory requirement, under Hong Kong law, for companies and individuals to contribute 5% of an individual's gross salary to a pension fund. This is a defined contribution scheme. Contributions payable to the Group's pension scheme are charged to the profit and loss account in the period to which they relate and are accounted for in accordance with FRS17.

1.10 Intangible assets

Domain name

The initial cost of acquiring the domain name is capitalised and amortised over a period of five 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 FRS19 '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 £266,837 *(2003: £1,368,291)*.

3. Turnover

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

4. Operating loss

	2004	2003
This is stated after charging:	£	£
Depreciation of tangible assets	3,384	6,327
Operating lease charges on premises	10,730	8,100
Directors' remuneration for qualifying services	59,286	156,948
Auditors' remuneration		
Hong Kong – audit fee	7,666	11,391
UK – audit fee	17,471	14,571
UK – other services	9,969	1,152

Impairment loss has been made for investments held and is shown separately on the face of the profit and loss account.

5. Exceptional Items

The exceptional items comprise the write back of creditors of £1,335,423 due to UFO Solutions Limited. This company went into liquidation on 21 April 2004 and there were insufficient funds to cover this debt. In addition the cost of the investment in this company of £1,275,092 has been offset against the write back of creditors.

6. Interest receivable and similar income

	2004 £	2003 £
Bank interest	11,476	13,561
Other interest	-	4,646
	11,476	18,207

7. Taxation

	2004 £	2003 £
Taxation: current tax charge	-	-
Factors affecting the tax charge for the year:		
Loss on ordinary activities before tax	(381,893)	(684,423)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2003: 30%)	(114,568)	(205,327)
Effects of:		
Non-deductible expenses	36	235
Provision against investments and intangible assets	23,227	52,749
Tax losses unutilised:		
- UK	80,015	99,713
- Overseas	11,290	52,630
	114,568	205,327
Current tax charge	-	-

The Company has estimated losses of £1,394,722 (2003: £1,127,135) 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.

8. Employees

	2004 Number	2003 Number
Number of employees		
The average monthly number of employees (including directors) during the year was:		
Investment management	5	7
Administration	1	1
	6	8

Employment costs (including directors)	£	£
Wages and salaries	91,464	205,956
Other costs	10,329	169
	101,793	206,125

9. Loss per share

	2004 £	As restated 2003 £
Loss before taxation	381,893	684,423
Weighted average number of shares in issue	1,197,990	1,197,990
Dilution effect of share in options	-	-
Diluted weighted average number shares	1,197,990	1,197,990
Basic loss per share (pence)	31.88	57.13
Diluted loss per share (pence)	31.88	57.13

The weighted average number of shares in issue used in the basic loss per share calculation for the year ended 31 December 2003 has been restated to reflect the effect of the capital reorganisation during the current year, which is deemed to have been completed on 1 January 2003.

10 Intangible assets

Group	**Domain name**
	£
Cost	
At 1 January 2004	24,855
Additions	1
Disposals	(22,846)
Exchange difference	(189)
At 31 December 2004	1,821
Provision for amortisation/impairment	
At 1 January 2004	24,855
Charge/provision for the year	1
Eliminated on disposal	(22,846)
Exchange difference	(189)
At 31 December 2004	1,821
Net book value	
At 31 December 2004	**-**
At 31 December 2003	-

11. Tangible fixed assets

	Group				Company		
	Leasehold improvements	**Fixtures and fittings**	**Office equipment**	**Total**	**Office equipment**	**Fixtures and fittings**	**Total**
	£	£	£	£	£	£	£
Cost							
At 1 January 2004	3,909	1,822	14,771	20,502	568	-	568
Additions	-	71	-	71	-	71	71
Exchange difference	(646)	(300)	(2,180)	(3,126)	-	-	-
At 31 December 2004	**3,263**	**1,593**	**12,591**	**17,447**	**568**	**71**	**639**
Accumulated depreciation							
At 1 January 2004	2,258	595	12,313	15,166	568	-	568
Charge for the year	1,496	398	1,490	3,384	-	18	18
Exchange difference	(491)	(185)	(2,015)	(2,691)	-	-	-
At 31 December 2004	**3,263**	**808**	**11,788**	**15,859**	**568**	**18**	**586**
Net book value							
At 31 December 2004	**-**	**785**	**803**	**1,588**	**-**	**53**	**53**
At 31 December 2003	**1,651**	**1,227**	**2,458**	**5,336**	**-**	**-**	**-**

12. Fixed asset investments

Group

	Listed investments £	Unlisted investments £	Total £
Cost			
At 1 January 2004	2,660,429	2,333,538	4,993,967
Disposals	-	(856,230)	(856,230)
At 31 December 2004	**2,660,429**	**1,477,308**	**4,137,737**
Provision for impairment			
At 1 January 2004	2,508,404	2,333,538	4,841,942
Eliminated on disposal	-	(856,230)	(856,230)
At 31 December 2004	**2,508,404**	**1,477,308**	**3,985,712**
Net book value			
At 31 December 2004	**152,025**	**-**	**152,025**
At 31 December 2003	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**
Value Convergence Holdings Limited	Hong Kong	Ordinary	1.78% *(2003: 1.78%)*

The market value of 4,247,022 shares of Value Convergence Holdings Limited at 31 December 2004 was £186,994 *(2003: £200,007)*.

12. 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**	**Nature of business**
iBase Holdings Limited	Hong Kong	Ordinary	49%	E-commerce business solutions
Net Fun Limited	Hong Kong	Ordinary	8%	Computer games provider
Ample Harvest Profits Limited	British Virgin Islands	Ordinary "A"	49%	Investment holding

Company	**Loan to group undertakings £**	**Shares in group undertakings £**
Cost		
At 1 January 2004 and 31 December 2004	999	10,584,251
Provision for impairment		
At 1 January 2004 and 31 December 2004	-	(10,584,251)
Net book value		
At 1 January 2004 and 31 December 2004	999	-

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

Information on principal subsidiary undertakings:

Name of company	**Country of incorporation/ registration**	**Class of share held**	**Proportion of the nominal value of equity held by the**		**Nature of business**
			Group	***Company***	
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

12. Fixed asset investments (continued)

Name of company	Country of incorporation/ registration	Class of share held	Proportion of the nominal value of equity held by the *Group*	*Company*	Nature of business
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

13. Current asset investments

Group

	Unlisted investments £	Loan to investee company £	Convertible loan £	Total £
Cost				
At 1 January 2004	2,652,565	-	130,501	2,783,066
Additions	8,837	65,586	-	77,423
Disposals	(2,652,565)	-	-	(2,652,565)
At 31 December 2004	**8,837**	**68,586**	**130,501**	**207,924**
Provision for impairment				
At 1 January 2004	1,377,473	-	130,501	1,507,974
Provision for the year	8,837	68,586	-	77,423
Eliminated on disposal	(1,377,473)	-	-	(1,377,473)
At 31 December 2004	**8,837**	**68,586**	**130,501**	**207,924**
Net book value				
At 31 December 2004	**-**	**-**	**-**	**-**
At 31 December 2003	1,275,092	-	-	1,275,092

13. Current asset investments (continued)

Information on the unlisted investments

Name of company	**Country of incorporation/ registration**	**Class of share held**	**Proportion of the nominal value of issued capital held by the Group**	**Nature of business**
Chinese Education Holding Company Limited	Hong Kong	Ordinary	90%	Provision of overseas placement programs
Hong Kong Institute of Vocational Learning Limited	Hong Kong	Ordinary	80%	Provision of tutorial class

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	**Profit/(loss) for the year**
	£	£
Chinese Education Holding Company Limited	(54,721)	(51,511)
Hong Kong Institute of Vocational Learning Limited	5,690	64,583

Loan to investee company
The loan to investee company represents an amount due from Chinese Education Holding Company Limited. This 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. During the year, both parties agreed that the outstanding loan should be settled by instalments commencing from November 2004.

14. Debtors

	Group		***Company***	
	2004	**2003**	**2004**	**2003**
	£	**£**	**£**	**£**
Trade debtors	232	12,613	-	-
Due from a related company	-	734	-	-
Prepayments and accrued income	20,473	35,510	16,345	28,751
	20,705	48,857	16,345	28,751

15. Creditors: amounts falling due within one year

	Group		Company	
	2004	**2003**	**2004**	**2003**
	£	**£**	**£**	**£**
Trade creditors	8,527	11,365	5,099	11,357
Due to a director	1,500	1,660	1,500	1,643
Other creditors	-	1,344,544	23,632	-
Accruals and deferred income	45,356	25,881	42,435	21,988
	55,383	1,383,450	72,666	34,988

16. Share capital

	2004	**2003**
	£	**£**
Authorised:		
300,000,000 ordinary shares of 1p each (2003: 500,000,000 ordinary shares of 1p each)	3,000,000	5,000,000
Allotted, issued and fully paid:		
1,197,990 ordinary shares of 1p each (2003: 239,598,496 ordinary shares of 1p each)	11,980	2,395,985

Capital reorganisation and reduction of capital

Pursuant to a number of resolutions passed at an Extraordinary General Meeting of the Company held on 12 November 2004, the Company carried out the following steps in reorganising its capital:

- The share premium account was cancelled and the reserve of £9,175,770 thereby arising was applied to eliminate the deficit on the profit and loss account of the Company.

- A consolidation of the existing ordinary shares on the basis of one intermediate share of £10 each for every 1,000 existing ordinary shares. Each intermediate share were then divided into 5 new ordinary shares of 1p each and one deferred share of £9.95 each. After that the issued and fully paid capital of the Company of £2,395,985 comprised 1,197,990 new ordinary shares of 1p each and 239,598 deferred shares of £9.95 each. Such deferred shares have no rights as to dividends, nor to any return of capital except in exceptional circumstances and no rights to vote at or attend general meetings of the Company.

- The Company applied to the court for the deferred shares to be cancelled which resulted in an additional amount to offset against the deficit on the profit and loss account of the Company of a further £2,384,005.

- An increase in the authorised share capital of the Company by the creation of 38,400,100 ordinary shares of 1p each.

- On completion of the capital reorganisation, the authorised capital of the Company became 300,000,000 ordinary shares of 1p each, and the issued and fully paid capital of the Company became 1,197,990 ordinary shares of 1p each.

Share option scheme

As at 31 December 2004 the Company has a share option scheme under which options for ordinary shares of 1p 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 has been adjusted during the year pursuant to the capital reorganisation as set out in this note.

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

17. Statement of movements on reserves

	Share premium account £	Profit and loss account £
Group		
At 1 January 2004	9,175,770	(10,590,883)
Capital reorganisation (see note 16)	(9,175,770)	11,559,775
Retained loss for the year	-	(381,893)
At 31 December 2004	**-**	**586,999**
Company		
At 1 January 2004	9,175,770	(11,146,426)
Capital reorganisation (see note 16)	(9,175,770)	11,559,775
Retained loss for the year	-	(266,837)
At 31 December 2004	**-**	**146,512**

18. Reconciliation of movements in shareholders' funds

	Group		*Company*	
	2004 £	**2003 £**	**2004 £**	**2003 £**
Loss for the financial year	(381,893)	(684,423)	(266,837)	(1,368,291)
Net reduction from shareholders' funds	(381,893)	(684,423)	(266,837)	(1,368,291)
Opening shareholders' funds	980,872	1,665,295	425,329	1,793,620
Closing shareholders' funds	**598,979**	**980,872**	**158,492**	**425,329**

19. Reconciliation of operating loss to net cash outflow from operating activities

	2004	2003
	£	£
Operating loss	(453,700)	(702,630)
Depreciation of tangible assets	3,384	6,327
Loss on disposal of tangible fixed assets	-	5
Decrease/ (Increase) in debtors	19,031	(2,124)
Increase in creditors	16,477	10,323
Impairment loss	77,423	175,830
Net cash outflow from operating activities	(337,385)	(512,269)

19a Analysis of net funds

	1 January 2004	Cash flow	31 December 2004
	£	£	£
Net cash:			
Cash at bank and in hand	883,012	(402,968)	480,044
Net funds	883,012	(402,968)	480,044

19b Reconciliation of net cash flow to movement in net funds

	2004	2003
	£	£
Decrease in cash in the year	(402,968)	(494,948)
Movement in net funds in the year	(402,968)	(494,948)
Opening net funds	883,012	1,377,960
Closing net funds	480,044	883,012

20. 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.

21. Related party transactions

Related party	Relationship	Nature	2004 £	2003 £
Part-time.com Ltd	Common director	Consultancy service fee received	-	4,854
Europasia Education plc	Common director and shareholder	Administration service fee paid	-	6,319
		Rental and administrative services fee received	-	200
innoVision Holding Ltd	Common director	Consultancy, rental and administrative services fees received	-	4,902
SecondCurve Consultants Ltd	Common director	Rental and administrative services fee received	2,521	2,828
Communications Express Ltd	Common director	Marketing advisory fee paid	-	73,062
iBase Technologies Ltd.	Common director	Asset purchases, repair and maintenance fee, web-site costs and fees for installation and set-up of computer system paid	-	88
Cybermax Network Technology Ltd	Common director	Loan interest income received	-	969

22. Operating lease commitments

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

	Group		*Company*	
	2004 £	**2003 £**	**2004 £**	**2003 £**
Within one year	12,745	11,102	3,283	3,286

23. 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 2004	Net asset value attribute to ordinary shareholders 2004	Net asset value per share 2003	Net assets value attributable to ordinary shareholders 2003
Ordinary 1p shares	50.00p	£598,979	81.88p	£980,872

Basic net asset value per ordinary share is 50.00p which is based on net assets at the year end and on 1,197,990 ordinary shares, being the number of ordinary shares in issue at the year end. The number of ordinary shares in issue at 31 December 2003 has been adjusted to reflect the effect of capital reorganisation during the current year.

24. Post Balance Sheet Events

Subsequent to the balance sheet date, the following transactions were carried out:

24.1 In January 2005, Chinese Education Holding Company Limited and Hong Kong Institute of Vocational Learning Limited allotted new ordinary shares of 100 shares and 1,000 shares respectively to third parties. As a result, the Group's interests in these investments were substantially diluted to 45% and 40% respectively.

24.2 The Group acquired all rights, benefits and entitlement to 10% of the 97% profit generated from the operation of a municipal solid waste incineration plant in Houjie, Dongguan in the Peoples' Republic of China at a consideration of £360,000 from Lucky Man Investment Limited which is owned by the father of one of the directors of the Company. The consideration was settled 60% in the ordinary shares of the Company and 40% in cash for £144,000.

24.3 On 8 April 2005 the company announced a share placement of 1,200,000 ordinary shares of 1p each at 35p per share. The placing raised £420,000 for the company and will enable the Group to expand its established investment in China's growing energy sector.