

NOTES TO CONDENSED INTERIM REPORTS

I. Basis of preparation and accounting policies

The condensed unaudited consolidated interim accounts (the "Interim Accounts") are prepared in accordance with the requirements of Hong Kong Statement of Standard Accounting Practice (the "SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants (the "HKSA"), and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These Interim Accounts should be read in conjunction with the audited annual accounts for the year ended 31 March 2002.

The accounting policies and methods of computation used in the preparation of these Interim Accounts are consistent with those used in the audited annual accounts for the year ended 31 March 2002, except that the Group has changed certain of its accounting policies following its adoption of the following SSAP issued by HKSA which are effective for accounting periods commencing after 1 January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statement
SSAP 25 (revised):	Interim financial reporting
SSAP 34:	Employee benefits

The changes to the Group's accounting policies and the effect of adopting these new policies is set out below:

SSAP 34: Employee benefits

(1) *Employee leave entitlements*

According to this new SAAP, employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision should be made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognized until the time of leave.

In current period, no provision was made by the Group for employee annual and long service leave entitlements as the account is not material. No prior period adjustment on provision for employee annual and long service leave entitlements has been made by the Group following the adoption of SSAP 34 as the amount is not material.

(2) *Pension obligations*

The Group contributes to a mandatory provident fund which is available to all employees. Contributions to the fund by the Group and its employees are calculated at a percentage of the employees' basic salaries. The cost charged to the profit and loss account represents contributions payable by the Group to the fund.

The Group's contributions to the fund are expensed as incurred and the assets of the fund are held separately from those of the Group in an independently administrated fund.

2. **Revenue and turnover**

The Group principally invests in listed and unlisted securities, including equity securities and convertible bonds. Revenues recognized during the period are as follows:

	Six months ended 30 September	
	2002 (Unaudited) HK\$	2001 (Unaudited) HK\$
Turnover		
Proceeds from sale of listed securities	1,693,124	5,890,378
Dividend income from unlisted securities	4,420,000	—
	<u>6,113,124</u>	<u>5,890,378</u>
Other revenues		
Interest on bank deposits	36,912	481,235
Other income	12,500	—
	<u>49,412</u>	<u>481,235</u>
Total revenues	<u><u>6,162,536</u></u>	<u><u>6,371,613</u></u>

No geographical analysis is provided as all operations are conducted in Hong Kong.

3. Losses from operations

Losses from operations has been arrived at after charging:

	Six months ended 30 September	
	2002 (Unaudited) HK\$	2001 (Unaudited) HK\$
Investment management fee (<i>note 9</i>)	752,441	673,810
Mandatory provident fund contributions	7,200	6,900
Staff costs, including directors' remuneration	222,000	216,000
and after crediting:		
Gain on disposal of an investee company	12,500	–

4. Taxation

Taxation in the condensed consolidated income statement represents overprovision of profits tax payable in respect of prior years.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 September 2002 (2001: Nil).

Deferred tax has not been provided for the Group and the Company as there were no significant timing differences giving rise to deferred tax liabilities at 30 September 2002 (2001: Nil).

5. Basic losses per share

The calculation of the basic losses per share is based on the net losses for the period of HK\$14,853,148 (2001: HK\$2,200,053) and the weighted average number of ordinary shares of 1,037,879,873 shares (2001: 1,010,714,000 shares) in issue during the period.

No diluted losses per share for 2001 and 2002 are presented as the Company does not have dilutive potential ordinary shares. All outstanding warrants have been expired on 30 June 2002.

6. Investments in securities

	30 September 2002 (Unaudited) HK\$	31 March 2002 (Audited) HK\$
Held-to-maturity debt securities		
Unlisted convertible bonds	<u>9,900,000</u>	<u>9,900,000</u>
Other investments		
Unlisted equity securities	8,359,000	8,609,000
Less: Losses in value of investments in unlisted equity securities	<u>(1,165,000)</u>	<u>(1,415,000)</u>
	<u>7,194,000</u>	<u>7,194,000</u>
Listed equity securities in Hong Kong, at cost	68,689,407	60,805,874
Unrealised holding loss	<u>(26,848,142)</u>	<u>(8,306,125)</u>
	<u>41,841,265</u>	<u>52,499,749</u>
Fair value	<u>58,935,265</u>	<u>69,593,749</u>
Market value of listed equity securities	<u>41,841,265</u>	<u>52,499,749</u>
Carrying amount analysed for reporting purposes as:		
Non-current		
– Held-to-maturity debt securities	9,900,000	9,900,000
– Other investments	<u>49,035,265</u>	<u>59,693,749</u>
	<u>58,935,265</u>	<u>69,593,749</u>

07

7. Amounts due from investee companies

The amounts due from investee companies are unsecured, interest-free and with no fixed terms of repayment.

8. Deposit, prepayment and other receivables

	30 September 2002 (Unaudited) HK\$	31 March 2002 (Audited) HK\$
Interest receivable	–	130,000
Deposit	1,250,000	500,000
Prepayment	1,310,252	–
	<u>2,560,252</u>	<u>630,000</u>

9. Related party transactions

During the period, significant related party transactions, which were carried out in the ordinary course of the Group's business, are as follows:

	Six months ended 30 September 2002 Unaudited HK\$	2001 Unaudited HK\$
Interest paid to Upbest Investment Company Limited	61,113	–
Investment management fee paid to Upbest Assets Management Limited	<u>752,441</u>	<u>673,810</u>

Note: Upbest Investment Company Limited and Upbest Assets Management Limited are wholly-owned subsidiaries of Upbest Group Limited. The beneficial owner, including Mr. Cheng Wai Lun, Andrew, a director of the Company, of Fung Fai Growth Limited holds 75% beneficial interest in Upbest Group Limited. Further, Mr. Li Kwok Cheung, George is also a director of Upbest Group Limited and Upbest Assets Management Limited.

INTERIM DIVIDEND

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 September 2002 (2001: Nil).