

NOTES TO CONDENSED INTERIM REPORTS

1. Accounting policies

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and the Statement of Standard Accounting Practice No. 25 ("SAAP 25") Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

2. Significant Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2004.

3. Turnover and other revenues

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

	For the six months ended 30 September	
	2004 (Unaudited) HK\$	2003 (Unaudited) HK\$
Turnover		
Proceeds from sale of listed securities	4,588,144	22,785,039
Dividend income from listed and unlisted securities	246,320	135,296
	<u>4,834,464</u>	<u>22,920,335</u>
Other revenues		
Interest on bank deposits	21	2,867
Other revenue	15,189	–
	<u>15,210</u>	<u>2,867</u>
Total revenues	<u><u>4,849,674</u></u>	<u><u>22,923,202</u></u>

No analysis of the Group's turnover and contribution to operating (loss) profit for the period set out by principal activities and geographical markets is provided as the Group has only one single business segment, investment holding, and all the consolidated turnover and the consolidated results of the Group are attributable to markets in Hong Kong.

4. (Loss) Profit from operations

(Loss) Profit from operations has been arrived at after charging (crediting):

	For the six months ended 30 September	
	2004 (Unaudited) HK\$	2003 (Unaudited) HK\$
Overprovision of auditors' remuneration in previous year	-	(3,200)
Investment management fee	696,849	709,018
Staff cost, including HK\$5,858 (2003: HK\$7,200) to defined contributions MPF scheme	<u>108,808</u>	<u>229,200</u>

5. Finance costs

	For the six months ended 30 September	
	2004 (Unaudited) HK\$	2003 (Unaudited) HK\$
Interest on:		
Bank overdrafts	3,184	3
Other borrowings wholly repayable within five years	<u>8,861</u>	<u>454</u>
	<u>12,045</u>	<u>457</u>

6. Taxation

Hong Kong profit tax has not been provided as the Group has no assessable profit during the period.

7. Basic loss/earning per share

The basic loss/earning per share is based on the Group's loss attributable to shareholders for the period of HK\$10,891,718 (2003: profit of HK\$5,800,250) and the weighted average number of ordinary shares of 1,059,778,200 shares (2003: 1,059,778,200) in issue during the period.

No diluted loss/earning per share for the six months ended 30 September 2004 and 2003 are presented respectively as the Company does not have dilutive potential ordinary shares.

8. Investments in securities

	30 September 2004 (unaudited) HK\$	31 March 2004 (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	9,833,000	9,768,000
Less: Loss in value of investments in unlisted equity securities	<u>(4,349,000)</u>	<u>(3,849,000)</u>
	<u>5,484,000</u>	<u>5,919,000</u>
Listed equity securities in Hong Kong, at cost	71,326,633	74,461,690
Unrealised holding loss	<u>(20,116,157)</u>	<u>(10,284,390)</u>
	<u>51,210,476</u>	<u>64,177,300</u>
Fair value	<u>66,594,476</u>	<u>79,996,300</u>
Market value of listed equity securities	<u>51,210,476</u>	<u>64,177,300</u>
Carrying amount analysed for reporting purpose as:		
Current		
– Held to-maturity debt securities	9,900,000	9,900,000
– Other investments	<u>2,060,000</u>	<u>2,577,600</u>
	<u>11,960,000</u>	<u>12,477,600</u>
Non-current		
– Other investments	<u>54,634,476</u>	<u>67,518,700</u>
	<u>66,594,476</u>	<u>79,996,300</u>

9. Amounts due from investee companies

	30 September 2004 (unaudited) HK\$	31 March 2004 (audited) HK\$
Amounts due from investee companies less provision of HK\$7,171,281 (31 March 2004: HK\$7,171,281)	17,509,000	20,174,000
Portion shown as current assets	<u>(17,509,000)</u>	<u>(20,174,000)</u>
Non-current portion and included in non-current portion	<u><u>-</u></u>	<u><u>-</u></u>

The amounts due from investee companies are unsecured, interest-free and with no fixed terms of repayment. The non-current portion of the amounts due from investee companies are not expected to be realised within one year from the balance sheet date and therefore included in non-current assets.

10. Accounts and other receivables

	30 September 2004 (unaudited) HK\$	31 March 2004 (audited) HK\$
Deposits and prepayments	5,558,880	8,880
Other receivables (Note)	<u>-</u>	<u>835,023</u>
	<u><u>5,558,880</u></u>	<u><u>843,903</u></u>

The aging analysis of the deposits and prepayments were as follows:

	61-90 days HK\$	Over 90 days HK\$	Total HK\$
Balance at 30 September 2004	<u><u>3,600,000</u></u>	<u><u>1,958,880</u></u>	<u><u>5,558,880</u></u>
Balance at 31 March 2004	<u>-</u>	<u>8,880</u>	<u>8,880</u>

Note: For the year ended 31 March 2004, no aging analysis was disclosed for other receivables in view of the fact that they comprised mainly dividend receivable from listed equity securities.

11. Interest bearing borrowings

The interest-bearing borrowings represent loans from margin accounts due to a related company, Upbest Investment Company Limited, for financing the purchases of listed securities. The loans are repayable on demand, bearing interest at 9.25% per annum and secured by part of the listed equity securities with market value as follows:

	30 September 2004 (unaudited) HK\$	31 March 2004 (audited) HK\$
Market value of listed equity securities pledged for securing margin loans and facilities	<u>19,147,145</u>	<u>19,737,651</u>

12. Share Capital

	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 September 2004 and 31 March 2004	<u>2,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
At 30 September 2004 and 31 March 2004	<u>1,059,778,200</u>	<u>10,597,782</u>

13. Connected and related party transactions

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

	Notes	For the six months ended 30 September	
		2004 (Unaudited) HK\$	2003 (Unaudited) HK\$
Investment management fee paid to Upbest Assets Management Limited	(a)	696,849	709,018
Brokerage commission paid to Upbest Securities Company Limited	(b)	14,808	113,798
Interest paid to Upbest Investment Company Limited	(c)	8,861	454
Custodian fee paid to Wing Hang Bank Limited	(d)	30,000	30,000

Notes:

- (a) The Company has entered into investment management agreements with Upbest Assets Management Limited, the investment manager, for a period of three years commencing from 1 April 2003. This agreement can be terminated by either the Company or the investment manager serving not less than six months' notice in writing prior to the expiration of the three years period. Pursuant to this agreement, monthly investment management fee is payable at 1.5% per annum of the consolidated net asset value as at the immediately preceding valuation date on the basis of the actual number of days in the relevant calendar month over a 365 days year.
- (b) Brokerage commission rate is charged at 0.25%, the prevailing market rate, of the value of the transactions.
- (c) Interest for margin account was charged at 9.25% per annum. The Company maintained a margin account with Upbest Investment Company Limited to which the Company provided collateral for buying listed securities.
- (d) Pursuant to a custodian agreement dated 22 December 1999 between the Company and a custodian, the custodian agrees to provide securities custodian services to the Company including the safe custody of the Group's securities and the settlement of the securities of the Group, the collection of dividends and other entitlements on behalf of the Group. The appointment of the custodian commenced on the date of commencement of trading of the Company's shares on the Stock Exchange and will continue in force until it is terminated by either party giving a written notice to the other party at any time.

The custodian is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules, but the custodian fee falls below the de-minimis threshold under Rule 14A.31(2) of the Revised Listing Rules.

- (e) Upbest Assets Management Limited, Upbest Securities Company Limited and Upbest Investment Company Limited are wholly-owned subsidiaries of Upbest Group Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Stock Exchange. The ultimate beneficial shareholder of the Company and Fung Fai Growth Limited, a substantial shareholder of the Company, holds indirectly 75 per cent interest in Upbest Group Limited.