NOTES TO THE INTERIM ACCOUNTS

1. **Principal accounting policies**

The principal accounting policies adopted in the preparation of these interim accounts are set out below:

(a) **Basis of preparation**

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

(b) **Consolidation**

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 30th June, 2002. The results of subsidiaries acquired or disposed of during the period are included in the consolidated accounts from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(c) **Revenue recognition**

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(d) **Fixed assets**

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation on fixed assets is calculated to write off the assets on a straight-line basis over their estimated useful lives and the principal annual rate used for office equipment is 20%.

(e) **Short term loans**

Provision is made against short term loans to the extent they are considered to be doubtful.

(f) **Impairment of assets**

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

(g) Goodwill / negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For all other acquisitions goodwill is generally amortised over 5-10 years.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

(h) Retirement benefit costs

The Group's contributions to the mandatory provident funds are expensed as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(i) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(j) Related parties

Related parties are those parties which have 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.

(k) Segment reporting

In note 2 to these interim accounts, the Group has not disclosed business segment nor geographical information as required under SSAP 26, as the Group has one single business segment, investment holding, and it only operates in Hong Kong.

2. **Revenues and turnover**

The Group will be principally engaged in investments in listed and unlisted securities in Hong Kong and the People's Republic of China. Total revenues recognised during the period are as follows:

	For the period from 5th December 2001 (date of incorporation) to 30th June 2002 (Unaudited) HK$
Turnover	
Interest income from	
– bank deposits	**72,173**
– short term loans	**141,666**
	213,839
Other income	
Negative goodwill arising from acquisition of subsidiaries (Note 14)	**212,810**
Total	**426,649**

3. **Taxation**

No provision for Hong Kong profits tax has been made as the Group did not have any estimated assessable profit for the period.

There was no material unprovided deferred taxation for the period.

4. **Profit attributable to shareholders**

Included in profit attributable to shareholders is loss dealt with in the accounts of the Company to the extent of HK$59,724.

5. **Earnings per share**

The calculation of basic earnings per share is based on the Group's profit attributable to the shareholders of HK$196,970 and the weighted average of 44,464,286 ordinary shares in issue during the period.

The Company does not have dilutive potential ordinary shares and, therefore, the diluted earnings per share is the same as basic earnings per share.

6. **Fixed assets**

Amount represents the cost of office equipment purchased during the period which was not in use as at the period end and, therefore, has not been subject to depreciation.

7. **Short term loans**

The amounts are interest-bearing and repayable within one year. Included in the balance a short term loan of HK$8 million is secured by the shares of the respective borrower. The remaining balance represents a short term loan of HK$9 million which is secured by a floating charge on all assets of the borrower.

8. Prepayments, receivable and interest receivable

	30th June 2002 (Unaudited) HK$
Amount due from a related company	751,000
Prepayments	625,000
	1,376,000
Interest receivable	141,667

The amount due from a related company is unsecured, interest free and repayable on demand. The interest receivable is due within 30 days.

9. Creditors and accruals

Included in creditors and accruals are trade payables with the following ageing analysis:

	30th June 2002 (Unaudited) HK$
Creditors, due within 30 days	4,680
Accrued expenses and other payables	67,914
	72,594

10. Share capital

	Authorised	
	Ordinary shares of HK$0.01 each	
	No. of shares	HK$
At 5th December, 2001	35,000,000	350,000
Increase in authorised ordinary share capital	465,000,000	4,650,000
At 30th June, 2002	500,000,000	5,000,000

	Issued and fully paid	
	Ordinary shares of HK$0.01 each	
	No. of shares	HK$
Issue of shares		
– to substantial shareholders	30,000,000	300,000
– to the public for subscription	30,000,000	300,000
At 30th June, 2002	60,000,000	600,000

10. Share capital *(continued)*

By a special resolution passed on 26th March, 2002, the authorised ordinary share capital of the Company was increased from HK$350,000 to HK$5,000,000 by the creation of 465,000,000 shares of HK$0.01 each.

On 6th May, 2002, 30,000,000 ordinary shares of HK$0.01 each were issued at a premium of HK$0.99 each for working capital of the Company.

On 4th June, 2002, 30,000,000 ordinary shares of HK$0.01 each were issued to the public at a premium of HK$0.99 each for funding of future investments.

11. Reserves

	Share premium HK$	Retained earnings HK$	Total HK$
Issue of shares			
– to substantial shareholders	29,700,001	–	29,700,001
– to the public for subscription	29,700,000	–	29,700,000
– share issue expenses	(4,997,929)	–	(4,997,929)
Profit for the period	–	196,970	196,970
At 30th June, 2002	54,402,072	196,970	54,599,042

12. Connected party transactions

The investment manager, Upbest Assets Management Limited, a wholly owned subsidiary of the Upbest Group Limited is regarded as a connected person of the Company under rule 21.13 of the Listing Rules. In addition, one of the substantial shareholders of the Company, which owns 25% of the interests in the Company, is controlled by the Chairman of the Upbest Group. Therefore, the following significant transactions between the Group and the Upbest Group are regarded as transactions with related parties, which are conducted in the normal course of business.

(a) Investment management fee

The Company signed an investment management agreement with Upbest Assets Management Limited, the investment manager, for a period of three years commencing from 27th May, 2002. This agreement can be terminated by either the Company or the investment manager serving not less than three months' notice in writing prior to the expiration of the three years period.

Pursuant to this agreement, the Company pays to the investment manager a monthly management fee at 1.5% per annum of the consolidated net asset value of the Company as at the agreed valuation date.

(b) Advisory fee

Pursuant to an advisory agreement signed between Upbest Securities Company Limited ("the advisor"), which is a wholly owned subsidiary of the Upbest Group, and the Company, the advisor agrees to provide advisory services to the Group for public relation, investors relation and media communication services for a fixed fee of HK$750,000 which will be terminated on 31st December, 2002.

13. Notes to the consolidated cash flow statement

Reconciliation of profit before taxation to net cash used from operating activities

	For the period from 5th December 2001 (date of incorporation) to 30th June 2002 (Unaudited) HK$
Profit before taxation	196,970
Interest income from bank deposits and short term loans	(213,839)
Increase in prepayments and receivables	(1,376,000)
Increase in creditors and accruals	72,594
Net cash used from operating activities	(1,320,275)

14. Acquisition

On 6th May, 2002, the Group acquired 100% of the share capitals of Good Connection Traders Limited and Excel Win Development Corporation which are both incorporated in the British Virgin Islands. The total purchase consideration amounted to HK$16 which was settled in cash. The fair value of the total net identifiable assets of the companies at the date of acquisition was HK$212,826. The resulting goodwill of HK$212,810 was released to the profit and loss account during the period as it represents the amount of negative goodwill exceeding the fair values of the acquired identifiable non-monetary assets.

The assets and liabilities arising from the acquisitions are as follows:

	HK$
Cash and bank balances	30,121,700
Other monetary assets less monetary liabilities	(29,908,874)
Fair value of net assets	212,826
Negative goodwill	(212,810)
Total purchase consideration	16

By order of the Board

Choi Wai Yin

Executive Director

Hong Kong, 4th September, 2002