

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention, except that, as disclosed in the accounting policies below, certain investments in securities are stated at fair value.

In the current period, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002, in advance of their effective dates:

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

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast the majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated profit and loss account 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.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with in the profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(d) Negative goodwill

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 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 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 immediately.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Furniture and fixtures are depreciated at rates sufficient to write off their costs over their estimated useful lives on a straight-line basis at an annual rate of 20%.

(f) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed 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.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(g) Investments in securities

(i) *Investment securities*

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss when the circumstances and events that led to the write-down or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Investments in securities *(Continued)*

(ii) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(j) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. When inflow is virtually certain, an asset is recognised.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Employee benefits

Employee entitlements to annual leave, sick leave and maternity leave are not recognised until the time of leave.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. When the contributions do not fall due wholly within twelve months after the end of period in which the employees render the related service, the contributions are discounted using the discount rate determined by reference to market yields at the balance sheet date on high quality investments. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(l) 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.

(m) Revenue recognition

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

Gains or losses on sale of investment securities and other investments are recognised on the transfer of risks and rewards of ownership which generally coincides with the time when investments are delivered and title has passed.

(n) Segment reporting

In accordance with the Group's internal financial reporting the Group has adopted geographical reporting format for the segmental reporting purpose. Assets are classified based on their locations.

Notes to the Accounts

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group principally invests in securities listed on the Stock Exchange and unlisted securities including equity securities, notes and bonds issued by corporate entities in Hong Kong and the PRC. It also extends short term loans to the investee companies.

Total revenues recognised during the period from 5th December, 2001 to 31st December, 2002 are as follows:

	2002 HK\$
Turnover	
Interest income from	
– bank deposits	144,157
– investment securities	23,014
– short term loans	1,445,221
	1,612,392
Other revenues	
Gain on sale of other investments	26,253
Negative goodwill arising from acquisition of subsidiaries	212,810
	239,063
Total revenues	1,851,455

The Group has investments in the following two geographical areas:

Hong Kong – listed and unlisted securities

PRC – unlisted equity investments and investment deposits

There is no revenue arising from transactions between the geographical segments.

Notes to the Accounts

2. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical segments

	Total assets 2002 HK\$
Hong Kong	42,990,000
PRC	13,100,000
Unallocated assets	–
Total assets	56,090,000

No material income was earned or costs incurred during the period other than the Hong Kong segment. Therefore, no analysis on turnover, results and capital expenditure for each segment is presented.

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3. UNREALISED GAIN ON OTHER INVESTMENTS

The amount represents net unrealised gain arising from changes in fair values of other investments during the period.

4. PROFIT BEFORE TAXATION

Profit before taxation for the period from 5th December, 2001 to 31st December, 2002 is stated after charging the following:

	2002 HK\$
Staff costs (including directors' remuneration)	416,599
Depreciation on owned fixed assets	1,819
Auditors' remuneration	100,000
Retirement benefit costs	12,497
Other operating expenses	514,094

There was no forfeited contribution in respect of the defined contribution plan available at the period end to reduce future contribution. There were no outstanding contributions to the plan at the period end.

Notes to the Accounts

5. TAXATION

No provision for Hong Kong profits tax has been made in the accounts as the Group has no estimated assessable profit for the period.

There was no material unprovided deferred taxation for the period.

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to shareholders a loss of HK\$585,888 has been dealt with in the accounts of the Company.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$157,223.

The basic earnings per share is based on the weighted average of 56,250,000 ordinary shares in issue during the period. As the Company has not issued any warrants and options during the period, the calculation of diluted earnings per share is the same as the basic earnings per share.

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the period from 5th December, 2001 to 31st December, 2002 are as follows:

	2002 HK\$
Fees	166,665

Directors' fees disclosed above include HK\$66,666 paid to independent non-executive directors.

The individual emoluments payable to the five directors are within the band of HK\$Nil to HK\$1,000,000.

Notes to the Accounts

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the period from 5th December, 2001 to 31st December, 2002 include three directors whose emoluments are reflected in the analysis presented in part (a). The five individuals whose emoluments were the highest in the Group during the period are presented in the analysis below:

	2002 HK\$
Basic salaries, other allowances and benefits in kind	249,934
Contributions to retirement scheme	12,497
	262,431

The individual emoluments payable to the two individuals are within the band of HK\$Nil to HK\$1,000,000. None of these two individuals is a director of a subsidiary within the Group nor a director of the Company and their emoluments are therefore not reflected in the analysis presented in part (a).

9. FIXED ASSETS

	Group & Company Furniture and fixtures HK\$
Cost	–
Additions	21,290
At 31st December, 2002	21,290
Accumulated depreciation	–
Charge for the period	1,819
At 31st December, 2002	1,819
Net book value	
At 31st December, 2002	19,471

Notes to the Accounts

10. OTHER ASSET

	Group 2002 HK\$
Deposit for an investment project (<i>Note</i>)	10,000,000

Note:

The deposit has been placed with a company as at 31st December, 2002 for future investment purposes. An amount of HK\$7,020,000 of the deposit will be converted into equity securities of an investee company in 2003 subject to the fulfillment of certain conditions by other investors participating in this project. If these conditions cannot be fulfilled, the deposit will be returned to the subsidiary of the Company. The remaining balance of the deposit will be converted to a loan to finance the investee company's operations upon fulfillment of the conditions by the other investors. The deposit is unsecured and interest free.

11. INVESTMENTS IN SUBSIDIARIES

	Company 2002 HK\$
Investments at cost:	
Unlisted shares	31
Amounts due from subsidiaries	25,323,877
Amounts due to subsidiaries	(245,320)
	25,078,588

The amounts due from and to subsidiaries are unsecured, interest free and have no fixed repayment terms.

Notes to the Accounts

11. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following is a list of the subsidiaries at 31st December, 2002:

Name	Place of incorporation	Principal activities and operation	Particulars of issued share capital	Interest held
Good Connection Traders Limited ("GCTL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100% *
Excel Win Development Corporation ("EWDC")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100% *
Star Track International Limited ("STIL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100% *
Bright Cedar Limited ("BCL")	British Virgin Islands	Trading of listed investments in Hong Kong	1 Ordinary share of US\$1 each	100%

* Shares held directly by the Company.

Notes to the Accounts

12. INVESTMENT SECURITIES

	Group & Company 2002 HK\$
Investment securities, at cost:	
Equity securities, unlisted	1,500
Loan to an investee company	3,098,500
	3,100,000

Investment securities comprise unlisted equity securities and an unsecured and interest free loan granted for long term strategic purposes to the investee company in order to maintain good relationships with business counterparts and generate regular dividends in future years.

Details of the unlisted equity securities are as follows:

Name of investee company	Place of incorporation	Nature of business	Particulars of issued shares held	Interest held	Cost HK\$	% of total assets of the Group	Net assets attributable to the Group HK\$'000
Waltin (HK) Limited	Hong Kong	Chinese medicine health care centre in the PRC	1,500 of ordinary shares of HK\$1 each	15%	1,500	5.53%	2,208

Chinese medicine health care centre (known as “Chinese Medicine Valley”) is an investment project in Zhuhai, China. Chinese Medicine Valley has commenced its operation since November 2002. Chinese Medicine Valley provides Chinese medicine spa, Chinese medicine treatments, personal beauty services, Chinese herbal meal, accommodation and various entertainment facilities. The major customers of Chinese Medicine Valley comprised of visitors and tours.

Notes to the Accounts

13. OTHER INVESTMENTS

	Group 2002 HK\$
Equity securities, at fair value	
– Listed in Hong Kong	15,815,006
Market value of listed equity securities	15,815,006

Details of other investments held are as follows:

Name of investee company	Place of incorporation	Number of shares	Market value HK\$'000	Unrealised gain/(loss) HK\$'000	% of total assets of the Group	Net assets attributable to the Group HK\$'000	Note
Listed in Hong Kong							
Shares							
EganaGoldpfeil (Holdings) Limited	Cayman Islands	4,484,000	6,322	(204)	11.27%	5,183	1
Prime Success International Group Limited	Cayman Islands	22,500,000	2,408	369	4.29%	4,906	2
Tonic Industries Holdings Limited	Cayman Islands	6,899,200	1,587	330	2.83%	4,420	3
Tysan Holdings Limited	Bermuda	5,150,000	798	94	1.42%	4,553	4
Upbest Group Limited	Cayman Islands	10,000,000	4,700	(17)	8.38%	1,264	5
			15,815	572			

Notes to the Accounts

13. OTHER INVESTMENTS *(Continued)*

A brief description of the business and financial information of the listed investee companies, based on their published annual or interim reports, is as follows:

Note 1: EganaGoldpfeil (Holdings) Limited (“EganaGoldpfeil”)

EganaGoldpfeil is principally engaged in design, assembly, manufacturing and distribution of timepieces, jewellery and leather products; licensing or assignment of brand names to third parties; and trading of timepiece components, jewellery and consumer electronic product.

The profit attributable to shareholders of EganaGoldpfeil for the six months ended 30th November, 2002 was approximately HK\$36,666,000. As at 30th November, 2002, the net asset value of EganaGoldpfeil was approximately HK\$1,308,724,000.

Note 2: Prime Success International Group Limited (“Prime Success”)

Prime Success is principally engaged in the manufacturing, marketing and sale of footwear products, shoe components and materials.

The profit attributable to shareholders of Prime Success for the six months ended 30th June, 2002 was approximately HK\$1,307,000. As at 30th June, 2002, the net asset value of Prime Success was approximately HK\$342,141,000.

Note 3: Tonic Industries Holdings Limited (“Tonic”)

Tonic is principally engaged in the design, manufacturing and marketing of a wide range of customer audio visual products, including CD portables, Dolby Prologic stereo receivers, portable cassette recorders, mini HiFis and music centres.

The profit attributable to shareholders of Tonic for the six months ended 30th September, 2002 was approximately HK\$23,854,000. As at 30th September, 2002, the net asset value of Tonic was approximately HK\$407,018,000.

Note 4: Tysan Holdings Limited (“Tysan”)

Tysan is principally engaged in foundation piling, machinery hiring and trading, property development, property investment, office management, investment holding, general trading and trading of construction equipment.

The profit attributable to shareholders of Tysan for the six months ended 30th September, 2002 was approximately HK\$10,100,000. As at 30th September, 2002, the net asset value of Tysan was approximately HK\$1,143,377,000.

Note 5: Upbest Group Limited (“Upbest”)

Upbest is principally engaged in the provision of a wide range of financial services including securities broking, futures broking, margin financing, money lending, corporate finance advisory and assets management.

The profit attributable to shareholders of Upbest for the six months ended 30th September, 2002 was approximately HK\$13,371,000. As at 30th September, 2002, the net asset value of Upbest was approximately HK\$141,590,000.

Notes to the Accounts

14. SHORT TERM DEBT SECURITIES

Amount represents an unlisted convertible bond which permits the holder to convert the bond to the shares of the issuer at a specified date. As of 31st December, 2002, the directors have no intention to exercise the conversion right at the specified date.

Details of the convertible bond are as follows:

Name of issuer	Security	Nature & business	Principal amount HK\$'000	Maturity date	% of total asset of the Group
Chief Finance Limited	Secured	Provision of commercial financing services	10,000	18th December, 2003	17.8%

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15. 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 31st December, 2002	500,000,000	5,000,000
	Issued and fully paid ordinary shares of HK\$0.01 each	
	No. of shares	HK\$
At 5th December, 2001	–	–
Issue of shares		
– to substantial shareholders	30,000,000	300,000
– to the public for subscription	30,000,000	300,000
At 31st December, 2002	60,000,000	600,000

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.

Notes to the Accounts

15. SHARE CAPITAL (Continued)

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. These shares rank pari passu with the existing shares.

On 5th 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. These shares rank pari passu with the existing shares.

16. RESERVES

	Share premium HK\$	Group Retained earnings HK\$	Total HK\$
At 5th December, 2001	–	–	–
Issue of shares			
– to substantial shareholders	29,700,000	–	29,700,000
– to the public for subscription	29,700,000	–	29,700,000
– share issue expenses	(4,997,929)	–	(4,997,929)
Profit for the period	–	157,223	157,223
At 31st December, 2002	54,402,071	157,223	54,559,294
Representing:			
Company and subsidiaries, at 31st December, 2002	54,402,071	157,223	54,559,294

	Share premium HK\$	Company Retained earnings HK\$	Total HK\$
At 5th December, 2001			
Issue of shares			
– to substantial shareholders	29,700,000	–	29,700,000
– to the public for subscription	29,700,000	–	29,700,000
– share issue expenses	(4,997,929)	–	(4,997,929)
Loss for the period	–	(585,888)	(585,888)
At 31st December, 2002	54,402,071	(585,888)	53,816,183

Note:

Distributable reserves of the Company at 31st December, 2002 according to the Company's Articles of Association amounted to HK\$53,816,183.

Notes to the Accounts

17. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31st December, 2002 of HK\$55,159,294 and 60,000,000 ordinary shares in issue as at that date.

18. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash outflow from operating activities during the period from 5th December, 2001 to 31st December, 2002

	2002 HK\$
Profit before taxation	157,223
Unrealised gain on other investments	(572,255)
Interest income	(1,612,392)
Depreciation of owned fixed assets	1,819
Negative goodwill arising from the acquisition of subsidiaries	(212,810)
Operating loss before working capital changes	(2,238,415)
Increase in short term debt securities	(10,000,000)
Increase in prepayments and receivables	(145,000)
Increase in creditors and accruals	930,706
Increase in other investments	(15,242,751)
Net cash outflow from operations	(26,695,460)
Interest received from bank deposits	144,157
Interest received from short term loans	1,445,221
Net cash outflow from operating activities	(25,106,082)

Notes to the Accounts

18. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the period from 5th December, 2001 to 31st December, 2002

	Share capital including premium HK\$
As at 5th December, 2001	–
Net cash inflow from financing	55,002,071
As at 31st December, 2002	55,002,071

(c) Purchase of subsidiaries during the period from 5th December, 2001 to 31st December, 2002

	2002 HK\$
Net assets acquired	
Other assets	4,000,000
Trade and other receivable	95,790
Bank balances and cash	30,121,700
Trade and other payable	(34,004,664)
	212,826
Negative goodwill	(212,810)
	16
Satisfied by	
Cash	16
	16

Notes to the Accounts

18. CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Purchase of subsidiaries during the period from 5th December, 2001 to 31st December, 2002 *(Continued)*

Analysis of the net cash inflow in respect of the purchase of subsidiaries

	2002 HK\$
Cash consideration	(16)
Bank balances and cash in hand acquired	30,121,700
Settlement of payables of the subsidiaries acquired	(29,908,874)
	212,810

In addition, the Company acquired two subsidiaries during the period by assuming total liabilities of HK\$16. The net assets of the two subsidiaries amounted to HK\$16 at the date of acquisition.

19. CONNECTED TRANSACTIONS

	For the period from 5th December, 2001 to 31st December, 2002 HK\$
Investment fees	
– Upbest Assets Management Limited <i>(Note a)</i>	471,478
Advisory fee	
– Upbest Securities Company Limited <i>(Note b)</i>	750,000
Custodian fee	
– Wing Hang Bank, Limited <i>(Note d)</i>	35,000

Notes to the Accounts

19. CONNECTED TRANSACTIONS *(Continued)*

Note (a):

The Company has entered into an investment management agreement with Upbest Assets Management Limited, the investment manager, for a period of three years commencing from 15th May, 2002. This agreement can be terminated by either the Company or the investment manager serving not less than three month's 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% of the consolidated net asset value of the Company as at the agreed valuation date.

Note (b):

Pursuant to an advisory agreement signed between Upbest Securities Company Limited ("the advisor"), the Company agrees to provide advisory services to the Group for public relations, investor relations and media communication services for a fixed fee of HK\$750,000 which was terminated on 31st December, 2002.

Note (c):

The Chairman of Upbest Group Limited is the owner of Typical Success Limited, which is a substantial shareholder of the Company. Both Upbest Assets Management Limited and Upbest Securities Company Limited are wholly owned subsidiaries of Upbest Group Limited. The connected transactions disclosed above in Note (a) and (b) also constitute related party transactions under SSAP 20.

Note (d):

Pursuant to a custodian agreement dated 15th May, 2002 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 shall commence 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 14.24(5) of the Listing Rules.

20. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 8th April, 2003.