

NOTES TO THE FINANCIAL STATEMENTS

For the Period from 26th July 2002 (Date of Incorporation) to 31st March 2003

1. GENERAL

The Company is an investment company incorporated with limited liability as an exempted company in the Cayman Islands on 26th July 2002. The Company had not commenced operation or business since its incorporation.

The investment objective of the Company is to achieve earnings in the form of medium- to long-term (i.e. one to five years) capital appreciation mainly through investments in listed and unlisted companies in the Greater China.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20th March 2003. Details of the placing and new issue of the Company's shares are set out in the Prospectus dated 7th March 2003.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements 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. They have been prepared under the historical cost convention.

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably. Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(b) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses and are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Furniture	25%
Computer equipment	25%
Fixtures	Over the lease term

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3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Plant and equipment (Continued)

Major costs incurred in restoring plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Company.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(c) 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 income statement 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.

Reversal of impairment loss recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(d) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease term.

(e) Cash and cash equivalents

Cash and cash equivalents represent cash on hand, demand deposits and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. For the purpose of cash flow, bank overdrafts which are repayable on demand and form an integral part of an enterprise's cash management are also included as a component of cash and cash equivalents.

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3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Provisions

Provisions are recognised when the Company 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 time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

(g) Employee benefits

The Company has participated in a defined contribution Mandatory Provident Fund Scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance. The assets of the Scheme are held separately from those of the Company in an independently administered fund. The Scheme is generally funded by payments from employees and by the Company. The Company's contributions to the Scheme are expensed as incurred in accordance with the rules of the Scheme and are not reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions.

(h) Foreign currency translation

Transactions in foreign currencies are translated into Hong Kong dollars at the approximate rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

(i) Related parties

Parties are considered to be related if one party has 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. Related parties may be individuals or corporate entities.

(j) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowable. Hong Kong profits tax has been provided at the rate prevailing for the year based on the assessable profit for the year less allowable losses, if any, brought forward.

Deferred taxation is provided using the liability method on all material timing differences, other than those which are not expected to crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

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3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Contingent liabilities and contingent assets

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 Company. 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.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. 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 Company.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

4. TURNOVER, REVENUE AND SEGMENT INFORMATION

	HKD
Turnover	–
Other revenue	
Interest income	27,243
Total revenue	27,243

No business or geographical analysis of the Company's performance is provided as the Company had not commenced operation or business during the period.

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5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

	HKD
Auditors' remuneration	80,000
Contributions to retirement benefits scheme (already included in staff costs)	3,315
Depreciation	3,460
Operating lease payments in respect of office premises	3,484
Staff costs (including directors' emoluments, note 9)	86,000

6. TAXATION

No provision for Hong Kong profits tax has been made as the Company has no assessable profit for the period.

The Company had no significant unprovided deferred taxation at the balance sheet date.

7. DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the period ended 31st March 2003.

8. BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the Company's loss for the period of HKD319,784 divided by the weighted average number of share outstanding during the period, being 9,375,000.

There were no dilutive potential shares during the period ended 31st March 2003, therefore, no diluted loss per share has been presented.

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9. DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments payable to directors of the Company during the period are as follows:

	HKD
Directors' fees	39,453
Other emoluments	
Basic salaries and other benefits	43,232
Contributions to retirement benefits scheme (<i>note 17</i>)	3,315
	86,000

Included in the directors' emoluments were fees of HKD27,617 paid to the independent non-executive directors during the period ended 31st March 2003.

During the period ended 31st March 2003, there was no amount paid to directors as an inducement to join or upon joining the Company and no director waived any emoluments.

The emoluments of the directors fell within the following band:

	Number of directors
Emolument band:	
HKDNil – HKD1,000,000	5

All of the five individuals whose emoluments were the highest in the Company for the period are directors whose emoluments are reflected in the analysis presented above.

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10. PLANT AND EQUIPMENT

	Furniture HKD	Computer equipment HKD	Fixtures HKD	Total HKD
Cost				
Additions and at 31st March 2003	14,055	30,880	30,285	75,220
Accumulated depreciation				
Charge for the period and at 31st March 2003	293	643	2,524	3,460
Net book value				
At 31st March 2003	13,762	30,237	27,761	71,760

11. SHARE CAPITAL

	Note	Number of shares	Share capital HKD
Ordinary shares of HKD0.10 each			
<i>Authorised:</i>			
Ordinary shares authorised on incorporation and at 31st March 2003	(a)	200,000,000	20,000,000
<i>Issued and fully paid:</i>			
Ordinary share allotted and issued at HKD0.10	(a)	1	–
Ordinary shares allotted and issued at premium	(b)	24,999,999	2,500,000
Placing and new issue of shares to the public	(c)	75,000,000	7,500,000
At 31st March 2003		100,000,000	10,000,000

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For the Period from 26th July 2002 (Date of Incorporation) to 31st March 2003

11. SHARE CAPITAL (Continued)

- (a) The Company was incorporated on 26th July 2002 with an authorised share capital of HKD20,000,000 divided into 200,000,000 ordinary shares of HKD0.10 each. Upon incorporation, one share was allotted and issued, credited as fully paid, to the initial subscriber. Pursuant to a written resolution of the Board dated 23rd September 2002, this one ordinary share was transferred to Oriental Patron Financial Services Group Limited ("OPFSGL") at par.
- (b) On 26th February 2003, the issued share capital of the Company was increased to HKD2,500,000 by allotting and issuing 24,999,999 ordinary shares of HKD0.10 each with issue price of HKD0.50 each to OPFSGL.
- (c) On 17th March 2003, 75,000,000 shares of HKD0.10 each with issue price of HKD0.50 each were allotted and issued to the public for a total cash consideration, before related expenses, of HKD37,500,000 for funding of future investments.

12. SHARE OPTIONS

Under the Company's share option scheme adopted on 19th March 2003, the board of directors (the "Board") may at any time following the date of adoption and before the tenth anniversary thereof, offer to grant to certain selected classes of participants (including, among others, full-time employees) of the Company, an option to subscribe for shares as incentives or rewards for their contribution to the Company. The subscription price will be determined by the Board (subject to adjustment), and will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of the shares of the Company. A nominal consideration of HKD1 is payable on acceptance of the grant of an option. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this scheme and any other share option schemes adopted by the Company may not exceed 30% of the share capital of the Company in issue from time to time. An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the share option scheme at any time not later than 10 years from the date on which the offer for grant of the option is made.

At 31st March 2003, no option has been granted or agreed to be granted under the share option scheme.

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13. RESERVES

	Share premium HKD	Accumulated losses HKD	Total HKD
Issuance of shares at premium	40,000,000	–	40,000,000
Share issue expenses	(3,406,892)	–	(3,406,892)
Loss for the period	–	(319,784)	(319,784)
	36,593,108	(319,784)	36,273,324

Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, share premium of the Company is distributable to the shareholders of the Company subject to the provisions of the Memorandum and Articles of Association and provided that the Company is able to pay its debts as they fall due in the ordinary course of business immediately following the distribution of dividends.

The Company's reserves available for distribution comprise the share premium amount less accumulated losses. In the opinion of the directors, the Company's reserves available for distribution to the shareholders at 31st March 2003 was HKD36,273,324.

14. NET ASSET VALUE PER SHARE

The net asset value per share is calculated by dividing the net asset value of the Company at 31st March 2003 of HKD46,273,324 by the number of ordinary shares in issue at that date, being 100,000,000.

15. LEASE COMMITMENTS

At 31st March 2003 the total future minimum lease payments under non-cancellable operating leases for the premises are payable as follows:

	HKD
Within one year	104,516

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16. RELATED PARTY TRANSACTIONS

During the period ended 31st March 2003, the Company had entered into the following significant related party transactions which, in the opinion of the directors, were carried out on normal commercial terms and in ordinary course of the Company's business:

	Name of related party	Nature of transactions and balances	HKD
(a)	OPFSGL (<i>note a</i>)	Rental paid (<i>note c</i>)	3,484
(b)	OPFSGL	Prepaid rental (<i>note c</i>)	5,516
(c)	Oriental Patron Asia Limited ("OPAL") (<i>note b</i>)	Accrued investment management fee (<i>note d</i>)	23,150
(d)	OPAL	Sponsor fee paid (<i>note e</i>)	300,000
(e)	OPAL	Underwriting fee paid (<i>note f</i>)	800,250

Notes:

- (a) OPFSGL is a substantial shareholder of the Company which had an interest of 25% in the share capital of the Company at 31st March 2003. The directors, Mr. ZHANG Zhi Ping and Mr. ZHANG Gaobo have beneficial interests in OPFSGL.
- (b) OPAL is the investment manager of the Company and is a wholly owned subsidiary of OPFSGL.
- (c) The Company entered into a licence agreement with OPFSGL in respect of the provision of the principal place of business of the Company for a term of one year for a monthly rental of HKD9,000.
- (d) The investment management fee is charged in accordance with the agreement with OPAL for investment management services. The investment management fee is calculated at 1.5% per annum on the net asset value of the Company at each preceding month end as defined in the agreement.
- (e) The sponsor fee was based on a mutually agreed rate pursuant to an agreement.
- (f) The underwriting fee was charged at 2.5% on underwriting commitment to placing and new issue shares of the Company.

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17. RETIREMENT BENEFITS SCHEME

The Company operates the Scheme under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. The assets of the Scheme are held separately from those of the Company, in funds under the control of trustee. The Company contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The total cost charged to the income statement of HKD3,315 represents contributions payable to this Scheme by the Company in respect of the period ended 31st March 2003.

18. COMPARATIVE FIGURES

This is the first set of financial statements prepared by the Company and, accordingly, there are no comparative figures.