

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

These condensed accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the period ended 31st December, 2002 except that the Group has changed its accounting policy following its adoption of SSAP 12 (revised) "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January, 2003.

The changes to the Group's accounting policies and the effect of adopting this new policy are set out below:

Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior period, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future. The adoption of the SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the Condensed Consolidated Statement of Changes in Equity, opening retained earnings at 1st January, 2003 have been reduced by HK\$94,093, which represents the unprovided net deferred tax liabilities. This change has resulted in an increase in deferred tax liabilities at 31st December, 2002 by HK\$94,093.

2. Turnover, revenue and segment information

The Group is principally engaged in investments in listed and unlisted securities in Hong Kong and the People's Republic of China ("PRC"). The Group also extends short term loans to the investee companies for their working capitals. Total revenues recognised during the period are as follows:

	Six months ended 30th June, 2003 (Unaudited) HK\$	For the period from 5th December, 2001 (date of incorporation) to 30th June, 2002 (Unaudited) HK\$
Turnover		
Interest income from		
– bank deposits	12,586	72,173
– short term loans	336,050	141,666
– convertible bonds	297,534	–
Dividend income	378,089	–
	1,024,259	213,839
Other income		
Unrealised gain on other investments	1,831,582	–
Negative goodwill arising from acquisition of subsidiaries	–	212,810
Total	2,855,841	426,649

The Group has investments in the following geographical areas:

Hong Kong – listed and unlisted securities

PRC – unlisted equity investments and investment deposit (included in other assets)

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

Geographical segments

	Total assets	
	2003 (Unaudited) HK\$	2002 (Audited) HK\$
Hong Kong	44,118,395	42,990,000
PRC	13,098,500	13,100,000
Unallocated assets	-	-
Total assets	57,216,895	56,090,000

No material income was earned or costs incurred during the period by the PRC segment. Therefore, no analysis of the Group's revenue and results for the period by geographical segment is presented.

3. Taxation

No Hong Kong profits tax has been provided as the Group does not have assessable profit for the period. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30th June, 2003 (Unaudited) HK\$	For the period from 5th December, 2001 (date of incorporation) to 30th June, 2002 (Unaudited) HK\$
Deferred taxation relating to the origination of temporary differences	320,218	-
Deferred taxation resulting from an increase in tax rate	8,821	-
Taxation charge	329,039	-

4. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to the shareholders of HK\$1,354,841 (2002: HK\$196,970).

The basic earnings per share is based on the weighted average number of 60,000,000 (2002: 44,464,286) ordinary shares in issue during the period. No diluted earnings per share is presented since the Company did not issue any dilutive potential ordinary shares during both periods presented.

5. Fixed assets

	Furniture and fixtures HK\$
Opening net book amount as at 1st January, 2003 (audited)	19,471
Depreciation charge for the period	<u>(2,130)</u>
Closing net book amount as at 30th June, 2003 (unaudited)	<u><u>17,341</u></u>

6. Short term loans and debt securities

The loans and securities are all interest – bearing. The short term loans of HK\$10,510,000 are secured by a floating charge on all assets of the borrowers. The short term debt securities of HK\$10,000,000 represent unlisted convertible bonds which permit the holder to convert the bonds to the shares of the issuer at a specified date. Both the short term debt securities and the short terms loans have been fully repaid by the issuer and the borrowers respectively after the balance sheet date.

7. Prepayments and accrued interest receivables

	30th June, 2003 (Unaudited) HK\$	31st December, 2002 (Audited) HK\$
Prepayments	447,500	145,000
Accrued interest receivables	636,598	23,014
	<u><u>1,084,098</u></u>	<u><u>168,014</u></u>

All accrued interest receivables are current.

8. Creditors and accruals

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

	30th June, 2003 (Unaudited) HK\$	31st December, 2002 (Audited) HK\$
Creditors, due within 30 days	20,000	-
Accrued expenses	353,721	930,706
	<u>373,721</u>	<u>930,706</u>

9. Share capital

	Authorised Ordinary shares of HK\$0.01 each	
	No. of shares	HK\$
At 1st January, 2003 and 30th June, 2003	500,000,000	5,000,000

	Issued and fully paid Ordinary shares of HK\$0.01 each	
	No. of shares	HK\$
At 1st January, 2003 and 30th June, 2003	60,000,000	600,000

10. Reserves

	Share premium HK\$	Retained earnings HK\$	Total HK\$
At 31st January, 2003	54,402,071	63,130	54,465,201
Profit for the period	-	1,354,841	1,354,841
At 30th June, 2003	<u>54,402,071</u>	<u>1,417,971</u>	<u>55,820,042</u>

11. Related party transactions

Significant related party transactions which were carried out in the normal course of the Group's business are as follows:

		Six months ended 30th June, 2003 (Unaudited)	For the period from 5th December, 2001 (date of incorporation) to 30th June, 2002 (Unaudited)
	Note	HK\$	HK\$
Investment management fee	(a)	416,043	54,365
Advisory fee	(b)	375,000	125,000

(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 relations, investors relations and media communication services for a fixed fee of HK\$750,000 which will be terminated on 31st December, 2003.

12. Subsequent events

Subsequent to the balance sheet date, the Group has entered into the following transactions:

- (1) the Group disposed of its entire interests in Star Track International Limited, a wholly owned subsidiary of the Company which held the deposit for an investment project, to a third party and assigned a receivable from the subsidiary to the third party at a total consideration of approximately HK\$10,077,000.
- (2) the Group disposed of its entire interests in Bright Cedar Limited, a wholly owned subsidiary of the Company which held the Group's other investments, to a third party and assigned a receivable from the subsidiary to the third party at a total consideration of approximately HK\$20,666,000.
- (3) the Group disposed of its investment securities in an unlisted company and assigned a loan due from the company to a third party at a total consideration of HK\$3,100,000.
- (4) the Group acquired 10% interests in the issued share capital of Express Logistic Corporation, an investment fund with participation in and access to high-end consumer products distribution network and hotel chains in South China and Shanghai, from a third party at a consideration of HK\$11,000,000.
- (5) the Group acquired 5% interests in the issued capital of Jetpower Finance Limited, an investment fund with participation in and access to high-end consumer products distribution network and public transport facilities in Taiwan, from a third party at a consideration of HK\$7,500,000.
- (6) the Group acquired 6.5% interests in the issued share capital of Charming Sunlit Inc., an investment fund with participation in and access to high-end consumer products distribution network and public transport facilities in Guangzhou, China, from a third party at a consideration of HK\$10,660,000.
- (7) the Group acquired 9% interests in the issued share capital of Super Plus Investments Limited whose principal activity involves distribution of consumer products in Greater China, from a third party at a consideration of HK\$11,250,000.
- (8) the Group acquired 3.75% interests in the issued share capital of Tonga Group Holding Limited whose principal activity involves distribution of building material and commodity products in China and Indonesia, from a third party at a consideration of HK\$11,100,000.