

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2003

1. BASIS OF PREPARATION

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 and the disclosure requirements of the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

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 2003, except as described below.

In the current period, the Group has adopted the revised SSAP 12. The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific requirements in SSAP 12 (revised), the new accounting policy has been applied retrospectively. Since the adoption of this SSAP 12 (revised) had no material impact on the Company's financial statements in prior period, comparative figures have not been restated.

3. TURNOVER AND OTHER REVENUE

The Group is principally engaged in investment in listed and unlisted companies in Hong Kong, PRC and Taiwan. Total turnover of the Company in the review period is HK\$1,783,162. Other revenue totaling HK\$17,350, comprising dividend income of HK\$6,160 and interest income of HK\$11,190, was received by the Company during the period.

4. SEGMENT INFORMATION

No segment information is presented as all of the turnover, contribution to operating results, assets and liabilities of the Group are attributable to investment activities which are carried out or originated principally in Hong Kong.

5. TAXATION

No Hong Kong profits tax has been provided and 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 Income Statement represents:

	Six months ended 30 September 2003 (unaudited) HK\$	For the period from 26 April 2002 (date of incorporation) to 30 September 2002 (unaudited) HK\$
Deferred taxation relating to the origination of temporary differences	912,000	–
Deferred taxation resulting from an increase in tax rate	<u>30,000</u>	–
Taxation charge	<u>942,000</u>	–

6. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the 6 months ended 30 September 2003 (26 April 2002 (date of incorporation) to 30 September 2002: HK\$0.05 per ordinary share).

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the period of HK\$4,285,028 (26 April 2002 (date of incorporation) to 30 September 2002: HK\$1,864,235) and the weighted average of 80,200,000 (26 April 2002 (date of incorporation) to 30 September 2002: 10,716,000) shares outstanding 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.

8. INVESTMENTS IN SECURITIES

	30 September 2003 (unaudited) HK\$	31 March 2003 (audited) HK\$
Non-current		
Non-trading securities		
Listed securities	<u>3,950,000</u>	<u>3,300,000</u>
Current		
Trading securities		
Listed securities at cost	23,165,336	17,840,160
Net Unrealised gains on trading securities	<u>6,331,304</u>	<u>3,579,940</u>
Market value as at 30 September 2003	<u>29,496,640</u>	<u>21,420,100</u>
	<u>33,446,640</u>	<u>24,720,100</u>

9. SHARE CAPITAL

	30 September 2003 (unaudited) HK\$	31 March 2003 (audited) HK\$
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.01 each	<u>20,000,000</u>	<u>20,000,000</u>
<i>Issued and fully paid:</i>		
80,200,000 ordinary shares of HK\$0.01 each	<u>802,000</u>	<u>802,000</u>

10. RESERVES**(a) Group**

	Share Premium (unaudited) HK\$	Investment Revaluation Reserve (unaudited) HK\$	Accumulated Profit (unaudited) HK\$	Total (unaudited) HK\$
(Deficit) in revaluation of non-trading securities	–	(2,033,490)	–	(2,033,490)
Issue of share at premium	39,298,000	–	–	39,298,000
Share issue expenses	(3,739,086)	–	–	(3,739,086)
Interim Dividend	(2,145,765)	–	(1,864,235)	(4,010,000)
Net profit for the period	–	–	1,907,288	1,907,288
At 31 March 2003	33,413,149	(2,033,490)	43,053	31,422,712
Net profit for the period	–	–	4,285,028	4,285,028
Surplus in revaluation of non-trading securities	–	1,200,000	–	1,200,000
At 30 September 2003	33,413,149	(833,490)	4,328,081	36,907,740

(b) Company

	Share Premium (unaudited) HK\$	Investment Revaluation Reserve (unaudited) HK\$	Accumulated Profit (unaudited) HK\$	Total (unaudited) HK\$
(Deficit) in revaluation of non-trading securities	–	(2,033,490)	–	(2,033,490)
Issue of share at premium	39,298,000	–	–	39,298,000
Share issue expenses	(3,739,086)	–	–	(3,739,086)
Interim Dividend	(2,145,765)	–	(1,864,235)	(4,010,000)
Net profit for the period	–	–	1,913,288	1,913,288
At 31 March 2003	33,413,149	(2,033,490)	49,053	31,428,712
Net profit for the period	–	–	4,285,028	4,285,028
Surplus in revaluation of non-trading securities	–	1,200,000	–	1,200,000
At 30 September 2003	33,413,149	(833,490)	4,334,081	36,913,740

11. CONNECTED TRANSACTIONS

During the period, the Group had entered into the following connected transactions, which in the opinion of the Board, were carried out on normal commercial terms and in ordinary course of the Group's business:

- i. Pursuant to an investment management agreement (the "Investment Management Agreement") dated 31 August 2002 entered into between the Company and Friedmann Pacific Investment Consultants Limited (the "Investment Manager"), the Company paid investment management fee (the "Investment Management Fee") of HK\$313,983 to the Investment Manager during the period under review. The Investment Management Fee was charged quarterly at a rate of 2% per annum of the net asset value of the Company as at the immediately preceding valuation date in March and June of year 2003 as stated in the Investment Management Agreement.
- ii. The Company paid rental and utilities expenses for office premises of HK\$112,030 to the Investment Manager. The rental and utilities charges were based on actual space occupied and the cost of rental in respect of the provision of the principal place of business of the Company.

INTERIM DIVIDEND

The Board of Directors do not recommend the payment of an interim dividend for the 6 months ended 30 September 2003 (26 April 2002 (date of incorporation) to 30 September 2002: HK\$0.05 per ordinary share).