

1. GENERAL

The Company is a limited company incorporated in Bermuda on 15 April 2003 as an exempted company.

The Company is principally engaged in investments in listed or unlisted enterprises established in Hong Kong and in the People's Republic of China. At the balance sheet date, the Company did not commence any operation or business.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 2 April 2004.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and with accounting standards issued by the Hong Kong Society of Accountants. The financial statements are prepared under the historical cost convention.

(a) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which are within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

(b) Impairment

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(c) Preliminary Expenses

Preliminary expenses are charged to the income statement in the period as incurred.

3. TURNOVER AND REVENUES

No analysis of the Company's turnover and contribution to operating loss for the period set out by principal activities and geographical market is provided, as the Company did not commence any operation or business during the period ended 31 March 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2004

4. LOSS BEFORE TAXATION

The loss before taxation is arrived at after charging:

	Period from 15/4/2003 (Date of incorporation) to 31/3/2004 HK\$'000
Auditors' remuneration	30
Preliminary expenses	<u>44</u>

5. TAXATION

(a) No provision for Hong Kong profits tax has been made in the accounts as the Company has no assessable profits for the period.

(b) The Company did not have any material unprovided deferred taxation as at 31 March 2004.

6. DIRECTORS' EMOLUMENTS

None of the Directors' fees or emoluments in respect of their services to the Company were paid or are payable during the Period.

7. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of the loss of HK\$74,000.

8. LOSS PER SHARE

The calculation of loss per share is based on the net loss attributable to the shareholders for the period of HK\$74,000 and on 60,000,000 ordinary shares in issue during the Period. The Company has no potential dilutive ordinary shares that were outstanding during the Period.

9. AMOUNT DUE TO A SHAREHOLDER

The amount due is unsecured, interest free and has no fixed repayment terms.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2004

10. SHARE CAPITAL

HK\$'000

Authorised:

200,000,000 ordinary shares of HK\$0.10 each 20,000

Issued and fully paid:

60,000,000 ordinary shares of HK\$0.10 each 6,000

The Company was incorporated with an authorised share capital of HK\$100,000, with 1,000,000 ordinary shares of HK\$0.10 each, all of which were allotted and issued at par on 22 April 2003.

By an ordinary resolution passed on 13 February 2004, the authorised share capital was increased to HK\$20 million divided into 200 million ordinary shares of HK\$0.10 each by the creation of a further 199 million ordinary shares of HK\$0.10 each. Such new shares ranked *pari passu* as regards to dividends and in all respects with the existing ordinary capital of the Company.

On 31 March 2004, 59 million ordinary shares with par value of HK\$0.10 each were issued at a price of HK\$1.00 each for cash to broaden the capital base of the Company. These additional shares comprised 55 million ordinary shares offered by way of private placements and 4 million ordinary shares subscribed by a substantial shareholder, Optimize Capital Investments Limited pursuant to the terms of a subscription agreement entered into with the Company on 13 February 2004.

11. RESERVES

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Issues of shares at premium	53,100	–	53,100
Listing expenses	(4,034)	–	(4,034)
Loss for the period	–	(74)	(74)
At 31 March 2004	49,066	(74)	48,992

12. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of HK\$54,992,000 and the 60,000,000 ordinary shares in issue as at 31 March 2004.

13. SHARE OPTION SCHEME

The Company had conditionally approved by resolutions in writing of its sole shareholder at the time of Share Option Scheme on 13 February 2004, under which certain selected classes of participants (including, amongst others, full-time employees) may be granted options to subscribe for ordinary shares of the Company (the "Shares"). The Share Option Scheme was not in place on the balance sheet date but was approved by the Stock Exchange of Hong Kong Limited upon the Listing of the Shares on 2 April 2004.

The following is a summary of the pertinent terms of the Share Option Scheme.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company, if any.

The Directors may, at their absolute discretion, grant options to any employee, any Executive or Non-executive Directors, any persons that provides research, development or other technological support to the Company, any shareholder, any advisor or consultant, and/ any joint venture partner or business alliance that co-operates with the Company.

(i) Maximum number of the Shares

- (a) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 30 per cent. of the share capital of the Company in issue from time to time.
- (b) The total number of Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme(s) of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10 per cent. of the Shares in issue ("General Scheme Limit").
- (c) Subject to (a) above and without prejudice to (d) below, the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10 per cent. of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme(s) of the Company) previously granted under the Share Option Scheme and any other share option scheme(s) of the Company will not be counted.
- (d) Subject to (a) above and without prejudice to (c) above, the Company may seek separate approval of the Shareholders in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by the Company before such approval is sought.

13. SHARE OPTION SCHEME *(continued)***(ii) Maximum entitlement of each participant**

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme(s) of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company for the time being.

(iii) Grant of options to connected persons

Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder or any of their respective associates must be approved by the independent non-executive Directors.

Certain grant of options to a substantial shareholder or an independent non-executive Director, must be approved by the Shareholders in general meeting.

(iv) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

The maximum period that an option may be exercised from the time it is granted is 10 years. There is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(v) Performance targets

No performance targets are specifically stipulated under the Share Option Scheme.

(vi) Subscription price for the Shares

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors but shall not be less than the highest of (aa) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade on the date of the offer of grant which must be a business day; (bb) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant which must be a business day; and (cc) the nominal value of the Shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(vii) Restrictions on the time of grant of options

No offer for the grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in newspapers.

(viii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme becomes unconditional.

13. SHARE OPTION SCHEME *(continued)*

(ix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, sub-division or consolidation of the Shares or reduction of capital of the Company whilst an option remains exercisable such corresponding alterations, if any, certified by the auditors for the time being or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of the Shares the subject matter of the Share Option Scheme and the option granted and so far as granted and unexercised and/or the subscription price.

(x) Termination of the Share Option Scheme

The Company may by resolution at general meeting at any time terminate the operation of the Share Option Scheme and in such event no further options shall be offered.

(xi) Lapse of option

An option shall lapse automatically on the earliest of the expiry of the period referred to in paragraph (iv) and the expiry of the periods or dates of the following:

- Cessation of employment of a grantee;
- Death, ill-health, or retirement of a grantee;
- Dismissal of a grantee;
- Breach of contract by a grantee;
- Holder of the Shares accepting a general offer, a compromise, or arrangement; and
- The Company undergoing a voluntary winding-up.

14. RELATED PARTY TRANSACTIONS

During the period ended 31 March 2004, the Company had not entered into any related party transactions, save for those mentioned under the connected transactions in the Report of the Directors.

15. COMPARATIVE FIGURES

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

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 21 July 2004.