

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

1 Basis of preparation of financial statements

The condensed unaudited interim financial statements (“Interim Report”) have been prepared in accordance with Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange and compliance with Statement of Standard Accounting Practice (“SSAP”) 25, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

2 Principal accounting policies

The Interim Report is prepared under the historical cost convention, except that, certain investment in securities are stated at fair value.

The Interim Report should be read in conjunction with the 2004 annual financial statements.

The principal accounting policies and methods of computation used in the preparation of this Interim Report are consistent with those used in the preparation of the annual financial statements for the year ended 31st March 2004.

3 Turnover

The Company is principally engaged in medium to long-term investment in listed and unlisted companies in the Greater China. Turnover represented dividend income from investments in securities 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 Company are attributable to investment activities which are carried out or originated principally in Hong Kong.

5 (Loss)/Profit from operations

(Loss)/Profit from operations is stated after charging the following:

	Six months ended 30th September 2004 (Unaudited) HKD	Six months ended 30th September 2003 (Unaudited) HKD
Contributions to retirement benefits scheme (already included in staff costs)	10,000	6,500
Depreciation	3,860	20,760
Operating lease payments in respect of office premises	54,000	54,000
Staff costs (including directors' emoluments)	417,570	294,887

6 Taxation

No Hong Kong profits tax has been provided as the Company does not have any assessable profit for the period.

The amount of taxation charged to the condensed income statement represents:

	Six months ended 30th September 2004 (Unaudited) HKD	Six months ended 30th September 2003 (Unaudited) HKD
Hong Kong profits tax		
– current	–	776,552
– deferred taxation relating to origination of temporary differences	–	1,808,975
Taxation	–	2,585,527

7 Interim Dividend

The directors do not recommend the payment of interim dividend in respect of the six months ended 30th September 2004 (2003: Nil).

8 Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the Company's net loss attributable to the shareholders of HKD6,884,781 (2003: Net profit of HKD13,213,657) divided by the weighted average number of ordinary share outstanding during the period, being 100,000,000 (2003: 100,000,000).

There were no dilutive potential shares during the periods ended 30th September 2004 and 30th September 2003, therefore, no diluted (loss)/earnings per share has been presented.

9 Investment in securities

	30th September 2004 (Unaudited) HKD	31st March 2004 (Audited) HKD
Non-current assets		
Investment securities		
Unlisted equity securities, at cost	853,000	75,000
Current assets		
Other investments		
Equity securities listed in Hong Kong, at market value	35,467,000	22,730,560
	36,320,000	22,805,560

10 Deferred taxation

The movement on the deferred tax liabilities account is as follows:

	30th September 2004 (Unaudited) HKD	31st March 2004 (Audited) HKD
Deferred tax liabilities at the beginning of the period/year	601,631	–
Charge to income statement for the period/year	–	601,631
	601,631	601,631

11 Share capital

	30th September 2004 (Unaudited) HKD	31st March 2004 (Audited) HKD
<i>Authorised:</i>		
200,000,000 ordinary shares of HKD0.10 each	20,000,000	20,000,000
<i>Issued and fully paid:</i>		
100,000,000 ordinary shares of HKD0.10 each	10,000,000	10,000,000

12 Reserves

	Share premium (Unaudited) <i>HKD</i>	(Accumulated losses)/profits (Unaudited) <i>HKD</i>	Total (Unaudited) <i>HKD</i>
At 1st April 2003	36,593,108	(319,784)	36,273,324
Net profit for the year	–	14,478,334	14,478,334
At 31st March 2004 and 1st April 2004	36,593,108	14,158,550	50,751,658
Net loss for the period	–	(6,884,781)	(6,884,781)
Final dividend paid for 2004	–	(10,000,000)	(10,000,000)
At 30th September 2004	36,593,108	(2,726,231)	33,866,877

13 Net asset value per share

The net asset value per share is calculated by dividing the net asset value of the Company at 30th September 2004 of HKD43,866,877 (31st March 2004: HKD60,751,658) by the number of ordinary shares in issue at that date, being 100,000,000 (31st March 2004: 100,000,000)

14 Lease commitments

At 30th September 2004 the total future minimum lease payments under non-cancellable operating leases for the premises are payable as follows:

	30th September 2004 (Unaudited) <i>HKD</i>	31st March 2004 (Audited) <i>HKD</i>
Within one year	40,500	94,500

15 Related party transactions

During the six months ended 30th September 2004, 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:

- (a) the Company paid rental expense totalling HKD54,000 (2003: HKDNil) for office premises to Oriental Patron Finance Limited ("OPFL"). OPFL is a fellow subsidiary of Oriental Patron Financial Services Group Limited ("OPFSGL"), a substantial shareholder of the Company which had an interest of 29.80% in the share capital of the Company as at 30th September 2004. The directors, Mr. ZHANG Zhi Ping and Mr. ZHANG Gaobo have beneficial interests in OPFSGL.
- (b) during the period, investment management fee and performance fee of HKD386,218 (2003: HKD420,597) and HKDNil (2003: HKD1,756,397) respectively were paid or payable to Oriental Patron Asia Limited ("OPAL"). OPAL ("Oriental Patron Fund Management", the trade name adopted by OPAL in fund management activities) is the investment manager of the Company and is a wholly owned subsidiary of OPFSGL.
- (c) the performance fee and the investment management fee were charged in accordance with the agreement with OPAL for investment management services. The performance fee represented 10% of the net increase in the Net Asset Value per share as at the Performance Fee Valuation Day as defined in the agreement. 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.

16 Approval of Interim Report

The Interim Report was approved by the Board of Directors on 17th December 2004.