

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****1. BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. SEGMENT INFORMATION

The Group is principally engaged in the investment in listed and unlisted companies and all the investment decisions are made in Hong Kong SAR. Accordingly, no analysis of business segment is provided. No geographical analysis is presented as none of the Group's turnover, results, assets and liabilities are attributable to markets outside the People's Republic of China (the "PRC") (including Hong Kong).

3. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	Six months ended 31 December (Unaudited)	
	2004 HK\$	2003 HK\$
Staff costs (excluding directors' remuneration)		
Salaries and wages	148,267	93,720
Net pension scheme contributions	5,880	5,560
	154,147	99,280
Depreciation	9,867	50,138
Operating leases rentals on land and buildings	-	399,480

4. FINANCE COST

	Six months ended 31 December (Unaudited)	
	2004 HK\$	2003 HK\$
Interest expenses on other loans	62,879	216,904



5. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits during the six months ended 31 December 2004 (2003: Nil).

6. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 31 December 2004 (2003: Nil).

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period attributable to shareholders of HK\$988,039 (2003: HK\$2,037,712) and the weighted average of 48,000,000 (2003:41,521,739) ordinary shares in issue during the period.

Diluted loss per share amounts for 2004 and 2003 has not been disclosed as no diluting events existed during these period.

8. INVESTMENT SECURITIES

	31 December 2004 (Unaudited) HK\$	30 June 2004 (Audited) HK\$
Unlisted equity securities, at fair value	<u>9,000,000</u>	9,000,000

9. DUE TO DIRECTOR

Except for an amount of HK\$1,500,000 (2003: Nil) due to a director which bears interest at a rate of 3% per annum, the amounts due to directors are unsecured, interest-free and not repayable on or before 30 June 2005.

10. DUE TO A SHAREHOLDER

Except for an amount of HK\$2,500,000 (2003: Nil) due to the shareholder which bears interest at a rate of 3% per annum, the amount is unsecured, interest-free and not repayable on or before 30 June 2005.

11. SHARE CAPITAL

	31 December 2004 (Unaudited) HK\$	30 June 2004 (Audited) HK\$
Issued and fully paid:		
48,000,000 ordinary shares of HK\$0.10 each	<u>4,800,000</u>	4,800,000

On 12 November 2003, the Company entered into subscription agreements with seven independent investors to place an aggregate of 8,000,000 shares of HK\$0.1 each at a price of HK\$0.25 per share for a total consideration of HK\$2,000,000, giving rise to a share premium of HK\$1,200,000.



12. RELATED PARTY TRANSACTIONS

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

		Six months ended 31 December (Unaudited)	
	Note	2004 HK\$	2003 HK\$
Investment management fee paid to Glory Investment Assets Limited	(i)	81,703	153,876
Interest expenses paid to a director	(ii)	22,808	—
Interest expenses paid to a shareholder	(iii)	38,014	—

- (i) Pursuant to the Investment Management Agreement dated 24 May 2001 entered into between the Company and Glory Investment Assets Limited (the "Investment Manager"), the Investment Manager provides investment management services and general administrative services to the Group. Under this arrangement, the Investment Manager is entitled to a monthly management fee payable in advance, calculated at 2.5% per annum of the net asset value of the Group as at the end of the preceding month on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to 15% of the surplus in net asset value of the Group over a financial year or period.

Pursuant to a supplemental agreement to the Investment Management Agreement dated 25 June 2002 entered into between the Company and the Investment Manager (the "Supplemental Agreement"), the monthly management fee payable in advance was reduced from 2.5% per annum to 2.0% per annum of the net asset value of the Group as at the end of the preceding month, calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. The Supplemental Agreement became effective on 2 August 2002. During the year on 24 May 2004, the above arrangement between the Company and the Investment Manager has been extended until 4 July 2005.

Ms. Chiu Kam Hing, Kathy, an executive director of the Company, has a 30% equity interest in the Investment Manager.

- (ii) The interest expense paid to a director of the Company related to an advance granted, further details of which are included in note 9 to the financial statements.
- (iii) The interest expense paid to a shareholder of the Company related to an advance granted, further details of which are included in note 10 to the financial statements.

**13. INTERIM DIVIDEND**

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2004 (2003: Nil).

14. BUSINESS REVIEW

For the six months ended 31 December 2004, the Group reported a loss of approximately HK\$1.0 million (2003: HK\$2.0 million). This loss is mainly attributable to the operating expenses in Hong Kong.

Over the period under review, the general investment environment has improved, but the overall outlook is still uncertain. Although the economy of the region within which we operate has shown positive signs of recovery, other factors such as currency risk and political issues have brought negative impact, creating an uncertain picture in the year ahead.

The Group had not made any investments during the same period due to the lack of new capital for investment. Also, all the Group's existing investments are all in unlisted equities which are long-term and illiquid in nature. For this reason, although the Hong Kong stock market marked a considerable recovery, the Group did not benefit from the stock market rally.

15. PROSPECT

The Group is consolidating its investments and tuning its financial position with an objective in minimizing losses which might arise from unsound investments, while strengthening investments with stable revenues.

During this year, the Group introduced strategic investors to join the management team to strengthen its leadership. Most of these investors have PRC background, and may inject profitable projects into the Group. We firmly believe that under the guidance of a capable management team, the Group will surely be able to record remarkable revenues in the coming year, leading our business back on track.

We believe Hong Kong has come through the worst. With the implementation of CEPA, the gradual deregulation of the mainland capital markets and the resulting increase in business activities and opportunities, we are optimistic that the economy and the stock market will recover at a hastened pace, and will benefit Hong Kong as a whole.

16. LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2004, the Group had cash and bank balance of HK\$195 (31 December 2003: HK\$387,673). Most of the cash and bank balances were placed in Hong Kong dollar deposits with a bank in Hong Kong SAR.

17. FOREIGN CURRENCY FLUCTUATION

Since the Group mainly uses Hong Kong dollars to carry out its business transactions, the Group believes that foreign exchange risk is minimal. No foreign exchange forward contract was outstanding as at 31 December 2004 (2003: Nil).



18. EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2004, the Group employed a total of 3 employees. Total staff cost of the Group, excluding directors' remuneration, for the period amounted to HK\$148,267(2003:HK\$ 99,280). Employee's remuneration are fixed and determined with reference to the market rate.

19. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2004, the interests and short positions of the directors and chief executive in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Long position in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest				Percentage of the Company's issued share capital	
	Directly beneficially owned	Through spouse	Through controlled corporation	Beneficiary of a trust	Total	
Mr. Lau Sze Shing, Edward (note)	-	8,500,000	8,500,000	-	8,500,000	17.71

Note: Mr. Lau Sze Shing, Edward is a beneficial shareholder of approximately 28.75% of the issued share capital of Oceanwide Investments Limited, which indirectly holds 8,500,000 shares of the Company through its wholly owned subsidiary, Advance Elite Holdings Limited.

Ms. Chan Sui Kuen is the spouse of Mr. Lau Sze Shing, Edward. She is a beneficial shareholder of approximately 12.08% of the issued share capital of Oceanwide Investments Limited, which indirectly holds 8,500,000 shares of the Company through its wholly-owned subsidiary, Advance Elite Holdings Limited.

Save as disclosed above, none of the directors and chief executive had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

20. DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.



21. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2004, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	the Company's issued share capital
Oceanwide Investments Limited	(a)	Through a controlled corporation	8,500,000	17.71
Advance Elite Holdings Limited	(a)	Directly beneficially owned	8,500,000	17.71
Ms. Chan Sui Kuen	(b)	Through a controlled corporation	8,500,000	17.71
Mr. Deng Chi Yuan		Directly beneficially owned	4,830,000	10.06

Notes:

- (a) The ordinary shares are held by Advance Elite Holdings Limited, which is wholly-owned by Oceanwide Investments Limited.
- (b) Ms. Chan Sui Kuen was deemed to have substantial interest in 8,500,000 shares of the Company by virtue of her 12.08% indirect interest in Advance Elite Holdings Limited, which holds 8,500,000 shares of the Company, and being the spouse of a director, Mr. Lau Sze Shing, Edward, who has 28.75% indirect interest in Advance Elite Holdings Limited, of which their combined interest in the Company exceeded 5%.

Save as disclosed above, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

22. PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's ordinary shares during the six months ended 31 December 2004.

23. CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the six months ended 31 December 2004, except that the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.



24. AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 31 December 2004. The Audit Committee, after reviewing the unaudited interim statements of the Group for the six months ended 31 December 2004, has expressed its concerns on the liquidity and profitability of the Group had has suggested ways to improve such liquidity and profitability. The Directors have explained to the Audit Committee that the Company is closely monitoring its financial position and will use its best efforts to improve the profitability and liquidity of the Group.

On behalf of the Board
Wang Wen Xia
CEO

Hong Kong SAR, 23 March 2005