NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except for the new adoption of HKFRSs and HKASs as disclosed in note 2 below. Due to the new adoption of such HKFRSs and HKASs, certain comparative figures previously reported have been restated to comply with the new requirements.

2. IMPACT OF NEW HKFRSs AND INTERPRETATIONS

In the current Period, the Group has applied, for the first time, a number of new HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs, in particular the HKASs as set out below, has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

HKAS 1	Presentation of Financial Statements
HKAS 36	Impairment of Assets
HKAS 40	Investment Property
HKAS Interpretation 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKFRS 2	Share – based Payment
HKFRS 3	Business Combination

(a) Presentation of Financial Statements

The adoption of HKAS 1 has affected the presentation of minority interests, which are now shown as equity, and share of net after tax results of associates. These changes have been applied retrospectively. (see Note 3 for financial impact)

(b) Amortisation of positive and negative goodwill

In prior periods:

- positive or negative goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal of impairment of the acquired business;

- positive goodwill which arose on or after 1 January 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

- negative goodwill which arose on or after 1 January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1 January 2005, in accordance with HKFRS 3 and HKAS 36, the group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment lossess are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

(b) Amortisation of positive and negative goodwill (continued)

Also with effect from 1 January 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises.

The new policy in respect of postive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the six months ended 30 June 2005.

The change in policy relating to negative goodwill had no effect on the interim financial report as there was no negative goodwill deferred as at 31 December 2004.

(c) Investment Properties

In the current Period, the Group has, for the first time, applied HKAS 40 Investment Property.

The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. The amount held in investment property revaluation reserve at 1 January 2005 has been transferred to the Group's accumulated losses. Gains on change in fair value of investment properties held by the Group and the associates were recognised in the income statement during the period (see Note 3 for the financial impact).

(d) Deferred Taxes related to Investment Properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively.

(e) Share Option Scheme

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve with equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

2. IMPACT OF NEW HKFRSs AND INTERPRETATIONS *(continued)*

(e) Share Option Scheme (continued)

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained earnings.

However, the adoption of the HKFRS has no material effect on the results for current nor prior accounting periods. Accordingly, no prior period adjustment is required.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in accounting policies described in Note 2 above on the results for the current and prior period are as follows:

Analysis of increase/(decrease) in profit for the Period by line items presented according to their function.

(a) Income statement items

	(Note 2a) **HKAS 1** *HK$'000*	*(Note 2b)* **HKAS 36** *HK$'000*	*(Note 2c)* **HKAS 40** *HK$'000*	**Total Effect** *HK$'000*
For the six months ended 30 June 2005 (Unaudited)				
Impairment losses of goodwill arising from acquisitions of subsidiaries	–	(54,238)	–	(54,238)
Valuation gain on investment properties	–	–	1,865	1,865
Increase/(decrease) in net profit for the Period	–	(54,238)	1,865	(52,373)
For the six months ended 30 June 2004 (Unaudited)				
Decrease in share of results of associates	(2,600)	–	–	(2,600)
Decrease in income tax expenses	2,600	–	–	2,600
Decrease in net profit for the period	–	–	–	–

3. **SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES** *(continued)*

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised as below:

(b) Balance sheet items

		Retrospective adjustment		Adjusted on 1st January 2005	
	As at 31st December 2004 (Originally stated)	**(Note 2a) HKAS 1**	**As at 31st December 2004 (Restated)**	**(Note 2c) HKAS 40**	**As at 1st January 2005 (Restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Investment properties	73,520	–	73,520	–	73,520
Deferred tax liabilities	(42)	–	(42)	–	(42)
Other net assets	106,978	–	106,978	–	106,978
Total assets and liabilities	180,456	–	180,456	–	180,456
Minority interests	(1,078)	1,078	–	–	–
	179,378	1,078	180,456	–	180,456
Share capital	130,018	–	130,018	–	130,018
Share premium	562,543	–	562,543	–	562,543
Accumulated profits/(losses)	(705,759)	–	(705,759)	3,484	(702,275)
Investment property revaluation reserve	3,484	–	3,484	(3,484)	–
Other reserves	189,092	–	189,092	–	189,092
Equity holders of the parent	179,378	–	179,378	–	179,378
Minority interests	–	1,078	1,078	–	1,078
Total equity	179,378	1,078	180,456	–	180,456

4. SEGMENT INFORMATION

An analysis of the Group's business segments is as follows:

	Segment turnover Six months ended 30 June		Segment results Six months ended 30 June	
	2005	2004	**2005**	2004
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Property investment	**–**	–	**6,375**	–
Skin and health care	**156**	6,292	**(21,332)**	(9,988)
Trading of jewellery	**3,652**	16,646	**(10,571)**	(771)
Trading of steel	**86,597**	15,425	**1,585**	181
Trading of wine	**967**	3,580	**(405)**	(286)
Artwork design	**1,092**	–	**(12,767)**	–
Trading of other products	**28**	12,414	**(10,702)**	(684)
Japanese restaurant	**2,538**	–	**201**	–
	95,030	54,357	**(47,616)**	(11,548)
Unallocated income			**3,360**	2,363
Unallocated expenses			**(9,275)**	(6,578)
Loss from operating activities			**(53,531)**	(15,763)

5. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities was determined after charging/(crediting):

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**1,223**	878
(Decrease)/Increase in provision for bad and doubtful debts	**(713)**	581

6. **TAX**

Hong Kong Profits Tax has been provided at the rate of 17.5% on the estimated assessable profits for the Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profits tax		
Hong Kong Profits Tax	**(64)**	281
Deferred taxation	**1,018**	1
	954	282
Share of tax attributable to associates		
Hong Kong	**–**	47
Elsewhere	**–**	2,553
	–	2,600
	954	2,882

7. **LOSS PER SHARE**

The calculation of basic loss per share are based on the unaudited net loss from ordinary activities attributable to shareholders of HK$56,794,000 (2004:HK$11,358,000) and the weighted average number of 13,098,503,309 (2004: 9,336,213,830) ordinary shares in issue during the Period, as adjusted to reflect the exercise of share options.

No diluted loss per share for the Period ended 30 June 2005 has been presented because there is no outstanding share option as at 30 June 2005.

Diluted loss per share for the period ended 30 June 2004 has not been shown because the share options outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

8. **ACQUISITIONS OF SUBSIDIARIES**

During the Period, the Group acquired 75% of the issued share capital of Pacific Glory Limited ("Pacific Glory").

The following summarises the effects of the acquisitions:-

	HK$'000
Net assets acquired	2,251
Goodwill arising on acquisitions	449
Consideration	2,700

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	(2,700)
Cash and bank balances acquired	2,502
	(198)

9. DISPOSAL OF SUBSIDIARIES

The results of the subsidiaries for the period from 1 January 2005 to the dates of disposal, which had been included in the Group's results for the Period, were as follows: –

	HK$'000
Turnover	–
Other revenue	196
Operating costs	(333)
Finance costs	(12)
Profit before tax	(149)
Taxation	(199)
Profit for the Period	(348)

The net assets of subsidiaries at the dates of disposal were as follows:–

	HK$'000
Net assets disposed of	5,085
PRC statutory reserve realised	(910)
Translation reserve realised	(173)
	4,002
Gain on disposal	2,804
Consideration	6,806

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK$'000
Cash consideration	6,806
Cash and bank balance disposed off	(4)
	6,802

10. CAPITAL EXPENDITURE

The movements in investment properties and property, plant and equipment during the Period were summarised as follows:

	Investment properties (Unaudited) *HK$'000*	**Property, plant and equipment (Unaudited)** *HK$'000*
Net book value as at 1 January 2005	73,520	5,426
Additions	–	4
Acquired on acquisition of subsidiaries	–	1,182
Valuation gain on investment properties	2,260	–
Disposal	(32,030)	(3)
Eliminated on disposal of subsidiaries	(7,100)	(5)
Depreciation	–	(1,223)
Net book value as at 30 June 2005	36,650	5,381

Investment properties were revalued on 30 June 2005 by an independent firm of surveyors, Dudley Surveyors Limited, on an open market value basis.

11. TRADE RECEIVABLES

Trading terms with customers are largely on credit and credit periods range from 30 days to 150 days. Overdue balances are regularly reviewed by senior management.

The following is an aging analysis of trade receivables, net of provisions, at the balance sheet date based on the invoice date, which is when the goods are delivered and services are rendered.

	30 June 2005 (Unaudited) *HK$'000*	31 December 2004 (Audited) *HK$'000*
Current to 3 months	**508**	5,210
3 to 6 months	**9,519**	82
Over 6 months	**14,600**	7,276
	24,627	12,568

12. TRADE PAYABLES

The following is an aging analysis of trade payables at the balance sheet date based on the date of the goods purchased and services rendered.

	30 June 2005 (Unaudited) *HK$'000*	31 December 2004 (Audited) *HK$'000*
Current to 3 months	**21,953**	8,888
3 to 6 months	**5,267**	714
Over 6 months	**9,455**	6,824
	36,675	16,426

13. SHARE CAPITAL

	30 June 2005 (Unaudited) *HK$'000*	31 December 2004 (Audited) *HK$'000*
Authorised:		
25,000,000,000 (2004: 25,000,000,000) ordinary shares of HK$0.01 each	**250,000**	250,000
50 (2004: 50) convertible preference shares of HK$1,000,000 each	**50,000**	50,000
Issued and fully paid:		
13,101,818,226 (2004: 13,001,818,226) ordinary shares of HK$0.01 each	**131,018**	130,018

During the Period, the following movements in the Company's share capital were recorded:

(a) On 7 January, 2005, 100,000,000 ordinary shares were issued at the price of HK$0.0198 per share for a total cash consideration of HK$1,980,000 upon the exercise of share options granted to staff and business partners of the Group.

A summary of the movements in the Company's share capital is presented as follows:

	Number of shares	*HK$'000*
At 1 January 2005	**13,001,818,226**	130,018
Exercise of share options	**100,000,000**	1,000
At 30 June 2005	**13,101,818,226**	131,018

14. SHARE OPTION SCHEME

Details of the share options to subscribe for shares in the Company having been granted and held by participants under the share option scheme of the Company during the six months ended 30 June 2005 were as follows:

	Number of share options						**Price of Company's shares *****	
Participant	**As at 1 January 2005**	**Exercised during the Period**	**As at 30 June 2005**	**Date of grant ***	**Exercise period**	**Exercise price per share ****	**At grant date of options**	**At exercise date of options**
Employees	70,000,000	(70,000,000)	–	11 February 2004	11 February 2004 to 10 February 2005	0.0198	0.0200	0.0770
Others	30,000,000	(30,000,000)	–	11 February 2004	11 February 2004 to 10 February 2005	0.0198	0.0200	0.0770

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or the other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure line.

15. PENDING LITIGATIONS

As at the balance sheet date, there were claims for payments of printing charges, finance lease payments, rental payments and commission with an aggregate amount of approximately HK$1,847,000 brought by various parties against certain subsidiaries of the Group. In the opinion of the Directors, adequate provision had been made by the Group in respect of all the above claims in the Group's financial statements.

16. LEASE COMMITMENTS

As at 30 June 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows

	30 June 2005 (Unaudited) ***HK$'000***	31 December 2004 (Audited) *HK$'000*
Within one year	**493**	1,009
In the second to fifth years, inclusive	**–**	–
	493	1,009

17. POST BALANCE SHEET EVENTS

On 19 July 2005, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of an investment property situated in Hong Kong for a cash consideration HK$6,880,000. A formal agreement was subsequently entered into between the parties on 29 July 2005.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with current Period's presentation.

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the board of directors on 21 September 2005.