NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited condensed interim financial statements as of 30 June 2005 and for the six months period then ended comprise the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity together with the notes thereto, all of which are in condensed format.

These condensed interim financial statements should be read in conjunction with the Group annual financial statements for the year ended 31 December 2004 ("2004 annual financial statements''). The accounting policies and basis of preparation used in the preparation of the condensed interim financial statements are consistent with those used in the 2004 annual financial statements, except that the Group has adopted, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKAS and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA which are effective for accounting periods beginning on or after 1 January 2005.

HKAS 1 – Presentation of Financial Statements

In summary, HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.

HKAS 32 – Financial Instruments: Disclosure and Presentation
HKAS 39 – Financial Instruments: Recognition and Measurement

In prior periods, the Group classified its investments in debt securities as investment securities which were held for non-trading purposes and were stated at cost less impairment losses. The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

Upon adoption of HKAS 32 and HKAS 39 from 1 January 2005, these securities were re-designated as available-for-sale financial assets. Available-for-sale financial assets are non-derivatives that are either designated in trading investment securities or not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognisation, available-for-sale financial assets are measured at the fair value with gains or losses being recognised as a separate component of capital and reserves until the available-for-sale financial assets are sold, collected or otherwise disposed of or until the available-for-sale financial assets are determined to be impaired at which time the cumulative gain or loss previously reported in capital and reserves is included in the income statement.

The available-for-sale financial assets were reclassified to non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

HKFRS 2 – Share-based Payment

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. In prior periods, the provision of share options to directors did not result in an expense in the income statements. Effective on 1 January 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods.

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by using a Binominal Option Pricing Model.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The effects of adopting HKFRS 2 on the Group's share options granted to employees after 7 November 2002 but had not vested by 1 January 2005 are summarised in note 2 to the condensed consolidated financial statements. Comparative amounts have been restated in accordance with HKFRS 2.

2. Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described above on the results to the current and prior periods are as follows:

(a) The effect on opening balance of total equity at 1 January 2005

	Capital reserve (unaudited) HK$'000	Accumulated losses (unaudited) HK$'000	Total (unaudited) HK$'000
Prior period adjustment:			
HKFRS 2 –			
Employee share option	4,082	(4,082)	–

Following the transitional provisions of the HKFRS 2, there was no retrospective adjustment made to the opening balance as at 1 January 2004.

(b) The effect of changes for the six months period ended 30 June 2005 and 2004

	Six months ended	
	30/6/2005 (unaudited) HK$'000	30/6/2004 (unaudited) HK$'000
Effect on loss for the period:		
HKFRS 2 –		
Employee share option	**(3,354)**	–
Effect on loss per share:		
Basic	**(0.1) cents**	–
Diluted	**N/A**	N/A

3. Turnover and other gains

The amount of each significant category of revenue recongnised in turnover during the period is as follows:

	Six months ended 30/6/2005 (unaudited) HK$'000	Six months ended 30/6/2004 (unaudited) HK$'000
Turnover		
Proceeds on disposal of properties	**8,380**	10,600
Rental income	**77**	735
Sale of health products	**1,452**	–
	9,909	11,335
Other gains		
Interest income	**3**	–
Other income	**84**	–
	87	–
	9,996	11,335

4. Segment information

During the period, the Group has two main business segments namely property investment and sales of health products. There are no sales or other transactions between the business segments. Information about these business segments and geographical analysis of the turnover is as follows:

Six months ended 30 June 2005

	Unaudited			
	Property investment	**Sales of health products**	**Other operations**	**Group**
	HK$'000	HK$'000	HK$'000	HK$'000
Geographical analysis of the turnover:				
Hong Kong	8,457	–	–	8,457
The PRC	–	1,452	–	1,452
Turnover	8,457	1,452	–	9,909
Segment results	(301)	567	–	266
Other revenue	26	3	58	87
Operating costs	(47)	(1,986)	(25)	(2,058)
Unallocated costs	–	–	(3,245)	(3,245)
Loss from operations	(322)	(1,416)	(3,212)	(4,950)
Employee share options	–	–	(3,354)	(3,354)
Finance costs	–	–	(38)	(38)
Loss before taxation	(322)	(1,416)	(6,604)	(8,342)
Taxation	–	–	–	–
Loss after taxation	(322)	(1,416)	(6,604)	(8,342)
Minority interests	–	398	–	398
Loss attributable to shareholders	(322)	(1,018)	(6,604)	(7,944)

No segment information for the period ended 30 June 2004 is presented as substantially all the Group's turnover and contribution to operating results were derived from property investment in Hong Kong.

5. (Loss)/Profit before tax

(Loss)/Profit before tax was determined after charging/(crediting) the following:

	Six months ended	
	30/6/2005	30/6/2004
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Crediting		
Rentals receivable from properties less outgoings of HK$378,000 (2004: HK$677,000)	**(301)**	58
Charging		
Depreciation	**34**	26
Employee benefit expense (including directors' emoluments)	**1,933**	1,705
Employee share options	**3,354**	–
Operating lease on land and buildings	**215**	182

6. Plant and equipment

During the period, the Group spent HK$6,600 (six months ended 30 June 2004: HK$12,000) on additions to fixed assets.

7. Properties under development

During the period, the Group incurred HK$937,000 (six months ended 30 June 2004: HK$195,000) in respect of the project of properties under development.

8. Available-for-sale financial assets/investment securities

	30/6/2005 (unaudited) HK$	31/12/2004 (audited) HK$
Unlisted, debentures at cost	**997**	997

Following the adoption of HKAS 39, investment securities were redesignated as financial assets on 1 January 2005. Retrospective application of HKAS 39 to the redesignation of 2004 comparative is not permitted.

9. Trade and other receivables

The majority of the Group's turnover in the current period is the proceeds received upon disposal of properties and the invoiced amount of health products sold. The remaining portion of turnover is rental income. The payment terms of the invoiced amount of the health products sold are normally from 30 days to 60 days while that of rental are in accordance with the tenancy agreements and the payments are normally due on the first day of the month. At 30 June 2005, the ageing analysis of the trade receivables was as follows:

	30/6/2005 (unaudited) HK$'000	31/12/2004 (audited) HK$'000
0 — 60 days	**–**	378
61 — 90 days	**–**	277
> 90 days	**2,917**	2,093
Total trade receivables	**2,917**	2,748
Other receivables	**17,899**	18,414
Less: Provision for doubtful debt	**(17,365)**	(17,365)
	534	1,049
Deposits and prepayments	**309**	1,878
	3,760	5,675

10. Trade and other payables

At 30 June 2005, the ageing analysis of the trade payables was as follows:

	30/6/2005 (unaudited) HK$'000	31/12/2004 (audited) HK$'000
0 — 60 days	**345**	818
61 — 90 days	**–**	34
> 90 days	**1,958**	1,612
Total trade payable	**2,303**	2,464
Other payables and accruals	**6,170**	6,603
Rental or trade deposits received	**157**	1,770
Due to directors	**519**	553
	9,149	11,390

11. Gain arising from the debt restructuring arrangements

The gain of HK$144,877,000 represented the overdrafts, loans principal and accrued interest payable of the Group waived by certain financial creditors during the last period in accordance with the respective terms of the debt restructuring arrangements.

12. Income tax

No provision for Hong Kong nor overseas profits tax is required for the current period (six months ended 30 June 2004: HK$Nil) since each individual company sustained losses for taxation purposes.

13. (Loss)/Earnings per share

The calculations of basic (loss)/earnings per share are based on the Group's net loss attributable to shareholders of HK$7,944,000 (six months ended 30 June 2004: net profit of HK$138,296,000) divided by 3,722,792,000 (six months ended 30 June 2004: the weighted average of 2,412,022,769) ordinary shares in issue during the period.

There were no dilutive potential ordinary shares in existence in both periods ended 30 June 2005 and 2004.

14. Dividends

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2005 (six months ended 30 June 2004: HK$Nil).

15. Pending litigation

At 30 June 2005, the pending litigations of the Group are as follows:

(a) On 11 November 2004, an independent third party issued a writ of summons against the Company claiming a sum of HK$2,483,000 together with interest and costs.

(b) On 15 November 2004, a winding up petition against the Company was served by a former executive director ("FED"). The FED demanded payment by the Company of a sum of HK$1,178,000 for allegedly arrears of wages, end of year payment, director's fees and disbursements.

(c) The Group was involved in a District Court civil jurisdiction action. The plaintiff claims against a subsidiary of the Company a payment of allegedly outstanding management fees of approximately HK$219,000 together with further management fees. The total allegedly outstanding management fees accrued up to 30 June 2005 amounted to approximately HK$1,882,000. The Group has duly filed a defence and counterclaim and the parties are currently attending to interlocutory matters.

The Company is currently seeking legal advice on the litigations mentioned above. The directors believe that appropriate provisions have been made in the financial statements and the Company has valid defence against the above and consider that these would not have material adverse impact on the Group.

16. Capital commitment

	The Group	
	30/6/2005	31/12/2004
	(unaudited)	(audited)
	HK$'000	HK$'000
Commitments in respect of capital injection in an indirectly owned subsidiary in the PRC		
Contracted but not provided for	**3,500**	3,500

17. Commitments under operating leases

At the reporting dates, the future aggregate minimum lease payments under non-cancellable operating leases of the Group are as follows:

	30/6/2005	31/12/2004
	(unaudited)	(audited)
	HK$'000	HK$'000
Operating leases payable for the office premises		
Within one year	**416**	283
In the second to fifth years inclusive	**131**	131
	547	414

18. Operating lease arrangements

At the reporting dates, the future aggregate minimun lease receipts by the Group under non-cancellable operating leases are as follows:

	30/6/2005	31/12/2004
	(unaudited)	(audited)
	HK$'000	HK$'000
Within one year	**–**	105
In the second to fifth years inclusive	**–**	–
	–	105

19. Events after balance sheet date

Subsequent to the balance sheet date on 4 September 2005, the Company entered into an acquisition agreement to acquire the entire issued share capital of Top Pro Limited, subject to the satisfactory fulfillment of certain conditions precedent. The consideration of acquisition is satisfied by a cash consideration of HK$25 million, deferred cash consideration not more than HK$50 million and the issue of consideration shares not more than 1,500,000,000 shares.

The deferred cash consideration, if payable, would be equivalent to the audited consolidated net profit of Top Pro Limited for the first full financial year after completion, or if completion takes place after 1 January 2006, then for the 12 calendar months period immediately after completion of acquisition.

The aggregate value of consideration shares, if required to be issued, would be equivalent to three times of the audited consolidated net profit of Top Pro Limited for the first full financial year after completion, or if completion takes place after 1 January 2006, then for the 12 calendar months period immediately after completion. The consideration shares will be issued at HK$0.1025 per share as stated in the acquisition agreement.

As at the date of this report, the acquisition has not yet been completed.

20. Comparative figures

Following the adoption of the new HKFRSs on 1 January 2005, the accounting policies and presentation of certain items in the accounts have been revised to comply with the new requirements. Accordingly, certain comparative figures have been adjusted/restated/reclassified to conform with the presentation of the current period.