

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

**1. Basis of preparation**

This interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2004 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2005 annual financial statements. Details of these changes in accounting policies are set out in Note 2 below.

**2. Changes in accounting policies**

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretations, that are effective or available for early adoption of accounting periods beginning on or after 1st January, 2005. The Board has determined the accounting policies expected to be adopted in the preparation of the Group's annual financial statements for the year ending 31st December, 2005, on the basis of HKFRSs currently in issue.

HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31st December, 2005 may be affected by the issue of additional interpretations or other changes announced by HKICPA subsequent to the date of issuance of these interim financial statements. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of the interim financial statements.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1st January, 2005 which have been reflected in the interim financial statements.

*Financial instruments*

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual Periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

*Classification and measurement of financial assets and liabilities*

In accordance with HKAS 32, the Group classified and measured its debt and equity securities depend on the purpose for which the assets are acquired. On 1st January, 2005, investment securities under non-current assets with carrying amount of HK\$59,401,002 and trading securities under current assets with carrying amount of HK\$59,370,462 were reclassified to available-for-sale investments (at fair value through equity) and held-for-trading investments (at fair value through profit or loss) on 1st January, 2005 retrospectively.

*Financial assets and liabilities other than debt and equity securities*

In accordance with HKAS 39, loan receivables which have fixed and determinable payments and are not quoted in an active market are initially measured at fair value plus transaction cost directly attributable to the acquisition of the loan receivables. Loan receivables are subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses.

**3. Turnover, revenue and segment information**

The Group is principally engaged in investments in listed and unlisted securities issued by companies having operations and activities in Hong Kong. Total revenues recognized during the six months ended 30th June, 2005 are as follows:

	Six months ended 30th June, 2005 (Unaudited) HK\$	Six months ended 30th June, 2004 (Unaudited) HK\$
Turnover		
Dividend income	398,664	1,504,957
Agency Income	-	2,000
Total	398,664	1,506,957

Since the principal activity of the Group is investing in Hong Kong securities with over 90% of its turnover and contribution to results derived from such activity in Hong Kong, no separate disclosure of geographical nor business segment information is presented.

**4. Taxation**

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

**5. Loss per share**

The calculation of basic loss per share for the six months ended 30th June, 2005 is based on the Group's loss attributable to the shareholders of HK\$9,419,804 and the weighted average number of 72,000,000 ordinary shares in issue during the period. Basic loss per share for the six months ended 30th June, 2004 is based on the Group's loss attributable to shareholders of HK\$7,634,916 and the weighted average number of 72,000,000 shares in issue during the prior period.

No diluted earnings per share are presented since the Company did not issue any dilutive potential ordinary shares during both periods presented.

## 6. Fixed assets

	Furniture and fixtures HK\$
Opening net book amount as at 1st January, 2005 (audited)	10,955
Depreciation charge for the period	<u>(2,125)</u>
Closing net book amount as at 30th June, 2005	<u><u>8,830</u></u>

## 7. Investments

	30th June, 2005 (Unaudited) HK\$	31st December, 2004 (Audited) HK\$
Available-for-sale investments		
Equity securities:		
Unlisted, at cost	62,040,002	62,040,002
Less: Provision for impairment loss	<u>(2,639,000)</u>	<u>(2,639,000)</u>
	<u>59,401,002</u>	<u>59,401,002</u>
Investment held for trading		
Equity securities:		
Listed in Hong Kong, at fair value	<u>30,773,263</u>	<u>59,370,462</u>

## 8. Prepayments and other receivables

	30th June, 2005 (Unaudited) HK\$	31st December, 2004 (Audited) HK\$
Utilities deposits	14,628	-
Prepayments	72,500	14,628
Other receivables	<u>9,360</u>	<u>9,360</u>
Total	<u><u>96,488</u></u>	<u><u>23,988</u></u>

9. **Bank Overdraft**

As at 30th June, 2005 and 31st December, 2004, the bank overdraft was unsecured.

10. **Margin Accounts Payable**

As at 30th June, 2005, the margin accounts payable were secured by the Group's investments held for trading.

11. **Short Term Loan**

The short term loan was extended by Upbest Finance Company Limited, which is a fellow subsidiary of the Group's investment manager, Upbest Assets Management Limited. The loan is unsecured, repayable on demand and carries a fixed interest rate at 9% per annum.

12. **Share capital**

	Authorised Ordinary shares of HK\$0.01 each	
	No. of shares	HK\$
At 1st January, 2005 and 30th June, 2005	500,000,000	5,000,000

	Issued and fully paid Ordinary shares of HK\$0.01 each	
	No. of shares	HK\$
At 1st January, 2005 and 30th June, 2005	72,000,000	720,000

13. **Reserves**

	Share Premium HK\$	Retained Earnings HK\$	Total HK\$
At 1st January, 2005	67,320,071	17,228,349	84,548,420
Loss for the period	-	(9,419,804)	(9,419,804)
At 30th June, 2005	67,320,071	7,808,545	75,128,616

#### 14. Commitments under operating leases

At 30th June, 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	30th June, 2005 Unaudited HK\$	31st December, 2004 Audited HK\$
Not later than one year	12,791	46,512
	<u>12,791</u>	<u>46,512</u>

#### 15. Related Party Transactions

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

	Note	Six months ended	Six months ended
		30th June, 2005 (Unaudited) HK\$	30th June, 2004 (Unaudited) HK\$
Investment management fee	(a)	600,712	552,121
Interest expenses on short term loan extended	(b)	699,539	608,699

##### (a) Investment management fee

The Company signed an investment management agreement with Upbest Assets Management Limited, the investment manager, for a period of three years commencing from 28th May, 2005. This agreement can be terminated by either the Company or the investment manager serving not less than three months' notice in writing prior to the expiration of the three years period.

Pursuant to this agreement, the Company pays to the investment manager a monthly management fee at 1.5% per annum of the consolidated net asset value of the Company as at the agreed valuation date.

##### (b) Interest expenses on short term loan extended

Interest expense was paid on the short term loan extended by Upbest Finance Company Limited, a fellow subsidiary of the investment manager, Upbest Assets Management Limited, of a fixed rate of 9% per annum.