

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. Basis of preparation

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

### 2. Summary of significant accounting policies

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain investment properties and financial instruments, which are measured at fair values, as appropriate.

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2005 except as described below.

In the current interim period, the Group has adopted, for the first time, a number of new standards, amendments and interpretations (hereafter collectively referred to as the ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 31st December, 2005 or 1st January, 2006.

The adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented.

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the potential impact of these new HKFRSs but not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 1 (Amendment)	Presentation of financial statements: Capital disclosures <sup>1</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK(IFRIC)-INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC)-INT 9	Reassessment of embedded derivatives <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006.

Comparative figures have been reclassified to conform with the current period's presentation.

### 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, 2006 are as follows:

	Six months ended 30th June, 2006 (Unaudited) HK\$	Six months ended 30th June, 2005 (Unaudited) HK\$
Turnover		
Dividend Income	244,909	398,664
Interest Income	597,827	-
	<hr/>	<hr/>
Total	<b>842,736</b>	<b>398,664</b>

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. Earnings/(loss) per share

The calculation of the basic earnings per share for the six months ended 30th June, 2006 is based on the Group's profit attributable to the shareholders of HK\$946,627 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, 2005 is based on the Group's loss attributable to shareholders of HK\$9,419,804 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, 2006 (audited)	21,290
Depreciation charge for the period	(16,718)
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Closing net book amount as at 30th June, 2006	<u>4,572</u>

## 7. Investments

	30th June, 2006 (Unaudited) HK\$	31st December, 2005 (Audited) HK\$
Available-for-sale investments		
Equity securities:		
Unlisted, at cost	47,960,004	76,720,002
Less: Provision for impairment losses	(10,078,002)	(6,298,000)
	<hr/>	<hr/>
	37,882,002	70,422,002
	<hr/>	<hr/>
Investment held for trading		
Equity securities:		
Listed in Hong Kong, at fair value	14,701,600	31,836,942
	<hr/>	<hr/>

## 8. Prepayments and other receivables

	30th June, 2006 (Unaudited) HK\$	31st December, 2005 (Audited) HK\$
Utilities deposits	20,550	20,550
Prepayments	72,500	25,099
Other receivables	9,360	9,360
	<hr/>	<hr/>
Total	102,410	55,009
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## 9. Margin Accounts Payable

The margin accounts payable as at 30th June, 2006 were secured by the Group's investments held for trading of HK\$14,701,600 (2005: HK\$31,836,942).

## 10. Short Term Loan

	30th June, 2006 (Unaudited)	31st December, 2005 (Audited)
Short term loan ( <i>Note a</i> )	1,951,161	29,661,999
Bills payable ( <i>Note b</i> )	88,500,000	-
	<u>90,451,161</u>	<u>29,661,999</u>

## Notes:

- (a) Short term loan were extended by Upbest Finance Company Limited ("UFC"), which is a fellow subsidiary of Upbest Assets Management Limited, the Group's investment manager. The loans are unsecured, repayable on demand. Interest is charged at the rate at the Hong Kong prime rate plus 4% per annum (2005: Hong Kong prime rate plus 4% per annum).
- (b) The bills of exchange were repayable within 3 months and carried a fixed interest rate at 7% per annum.

## 11. Share capital

	Authorised Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$</i>
At 1st January, 2006 and 30th June, 2006	500,000,000	5,000,000
	<u>500,000,000</u>	<u>5,000,000</u>
	Issued and fully paid Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$</i>
At 1st January, 2006 and 30th June, 2006	72,000,000	720,000
	<u>72,000,000</u>	<u>720,000</u>

## 12 Reserves

	Share Premium <i>HK\$</i>	Retained Earnings <i>HK\$</i>	Total <i>HK\$</i>
At 1st January, 2006	67,320,071	(1,745,544)	65,574,527
Profit for the period	-	946,627	946,627
	<u>67,320,071</u>	<u>(798,917)</u>	<u>66,521,154</u>

### 13. Commitments under operating leases

At 30th June, 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	30th June, 2006 Unaudited HK\$	31st December, 2005 Audited HK\$
Not later than one year	18,810	68,400
	<u>18,810</u>	<u>68,400</u>

### 14. Connected transactions

	Group and Company	
	Six months ended 30th June, 2006 (Unaudited) HK\$	Six months ended 30th June, 2005 (Unaudited) HK\$
Investment management fees ( <i>Note a</i> )	551,643	600,712
Custodian fees paid to Wing Hang Bank, Limited ( <i>Note b</i> )	30,000	30,000

*Notes:*

- (a) The Company signed an investment management agreement with Upbest Assets Management Limited ("UAM"), the investment manager, for a period of three years commencing from 28 May 2005. UAM is a wholly owned subsidiary of Upbest in which the Group has an investment. This agreement can be terminated by either the Company or the investment manager serving not less than three month's 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% of the consolidated net asset value of the Company at the agreed valuation date.

The investment manager is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules. Accordingly, the investment management agreement constituted a connected transaction for the Company under the Listing Rules.

**14. Connected transactions (continued)***Note:* (continued)

- (b) Pursuant to a custodian agreement dated 15 May 2002 between the Company and a custodian, the custodian agrees to provide securities custodian services to the Company including the safe custody of the Group's securities and the settlement of the securities of the Group, the collection of dividends and other entitlements on behalf of the Group. The appointment of the custodian commenced on the date of commencement of trading of the Company's shares on the Stock Exchange and will continue in force until it is terminated by either party giving a written notice to the other party at any time.

The custodian is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules, although the custodian fee falls below the de-minimis threshold under Rule 14A of the Listing Rules.

**15. Related party transactions**

In addition to note 14, the Group undertook the following transactions with related parties in the normal course of its business:

	Six months ended 30th June, 2006 (Unaudited) HK\$	Six months ended 30th June, 2005 (Unaudited) HK\$
Interest expenses on the extended short term loans (Note a)	570,841	699,539

*Notes:*

- a. Interest expenses on the extended short term loans, charged at the rate at the Hong Kong prime rate plus 4% per annum (2005: Hong Kong prime rate plus 4% per annum), were paid to UFC, which is a fellow subsidiary of the Group's investment manager, UAM.
- b. The Group also has investments held for trading in Upbest of HK\$10,234,400 (2005: HK\$11,233,500) at the balance sheet date. As set out in note 14, Upbest is the ultimate holding company of the Group's investment manager, UAM.