

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

1 **Basis of preparation of financial statements**

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

2 **Summary of significant accounting policies**

The Interim Report is prepared under the historical cost convention, as modified by the revaluation of certain investments which are carried at their fair values.

The principal accounting policies used in the preparation of this Interim Report are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2006.

In the current period, the Company has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA that are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs did not result in substantial changes to the Company’s accounting policies and amounts reported for the current or prior periods.

The Company has not applied the new HKFRSs that have been issued but are not yet effective. The Company is in the process of making an assessment of what the impact of the new HKFRSs is expected to be in the period of initial application but it is not yet in a position to ascertain how the new HKFRSs may affect the preparation and presentation of the results of operations and financial position of the Company.

3 Turnover

The Company is principally engaged in medium to long-term investments in listed and unlisted securities in the Greater China. An analysis of the Company's turnover is as follows:

	2006	2005
	HK\$	HK\$
		(Restated)
Proceeds from sale of financial assets at fair value		
through profit or loss	17,621,156	18,739,658
Dividend income from listed investments	227,087	199,920
	17,848,243	18,939,578

In previous periods, the Company's net gain on disposal of investments in listed equity securities was classified as a component of other income. During the current period, the Company included the proceeds from sale of investments in listed equity securities as a component of the Company's turnover with the corresponding carrying amount of listed equity securities disposed of being reported as cost of sales to better reflect the business nature of the Company and allow a more appropriate presentation of the Company's results. These changes in presentation have been applied retrospectively with comparatives restated as shown in the above and the condensed income statement.

4 Segment information

No segment information is presented as all of the turnover, contribution to operating results, assets and liabilities of the Company are attributable to investment activities which are carried out or originated principally in Hong Kong.

5 Profit before taxation

Profit before taxation is stated after charging the following:

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Contributions to retirement benefits scheme (already included in staff costs)	12,000	12,000
Depreciation	3,539	3,860
Operating lease payments in respect of office premises	54,000	54,000
Staff costs (including directors' emoluments)	457,998	457,998

6 Taxation

No provision for Hong Kong profits tax is required since the Company has no assessable profits for the six months ended 30 September 2006 (2005: Nil).

The taxation for the six months ended 30 September 2006 and 30 September 2005 can be reconciled to profit per the income statement as follows:

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Profit before taxation	127,843	5,650,620
Tax at Hong Kong profits tax rate of 17.5% (2005: 17.5%)	22,372	988,858
Tax effect of income that is not taxable in determining taxable profit	(142,851)	(61,537)
Tax effect of deferred tax asset not recognised/(Tax effect of utilisation of deferred tax asset not previously recognised)	120,479	(927,321)
Taxation	-	-

7 Interim Dividend

The board of directors does not recommend the payment of interim dividend in respect of the six months ended 30 September 2006 (2005: Nil).

8 Basic earnings per share

The calculation of basic earnings per share is based on the Company's net profit for the period of HK\$127,843 (2005: Net profit of HK\$5,650,620) divided by the weighted average number of ordinary share outstanding during the period, being 100,000,000 (2005: 100,000,000).

There were no dilutive potential shares during the periods ended 30 September 2006 and 30 September 2005, therefore, no diluted earnings per share has been presented.

9 Available-for-sale financial assets

	30 September 2006 (Unaudited) HK\$	31 March 2006 (audited) HK\$
Unlisted equity securities, at cost	853,000	853,000
Less: Provision for impairment losses	(75,000)	(75,000)
	778,000	778,000

10 Financial assets at fair value through profit or loss

	30 September 2006 (Unaudited) HK\$	31 March 2006 (audited) HK\$
Equity securities listed in Hong Kong, at fair value	28,028,730	18,579,025

11 Share capital

	30 September 2006 (Unaudited) HK\$	31 March 2006 (audited) HK\$
<i>Authorised:</i>		
200,000,000 ordinary shares of HK\$0.10 each	20,000,000	20,000,000
<i>Issued and fully paid:</i>		
100,000,000 ordinary shares of HK\$0.10 each	10,000,000	10,000,000

12 Net asset value per share

The net asset value per share is calculated by dividing the net asset value of the Company at 30 September 2006 of HK\$53,317,170 (31 March 2006: HK\$53,189,327) by the number of ordinary shares in issue at that date, being 100,000,000 (31 March 2006: 100,000,000)

13 Lease commitments

At 30 September 2006, the total future minimum lease payments under non-cancellable operating leases for the premises are payable as follows:

	30 September 2006 (Unaudited) HK\$	31 March 2006 (audited) HK\$
Within one year	40,500	94,500

14 Related party transactions

During the six months ended 30 September 2006, The Company had entered into the following significant related party transactions which, in the opinion of the directors, were carried out on normal commercial terms and in ordinary course of the Company's business:

(A) Transactions with related companies:

1. the Company paid rental expense totalling HK\$54,000 (2005: HK\$54,000) for office premises to Oriental Patron Finance Limited ("OPFL"). OPFL is a fellow subsidiary of Oriental Patron Financial Services Group Limited ("OPFSGL"), a substantial shareholder of the Company which had an interest of 29.80% in the share capital of the Company as at 30 September 2006. The directors, Mr. ZHANG Zhi Ping and Mr. ZHANG Gaobo have beneficial interests in OPFSGL.
2. during the period, investment management fee of HK\$396,285 (2005: HK\$346,804) was paid or payable to Oriental Patron Asia Limited ("OPAL"). OPAL ("Oriental Patron Fund Management", the trade name adopted by OPAL in fund management activities) is the investment manager of the Company and is a wholly owned subsidiary of OPFSGL.
3. the investment management fee were charged in accordance with the agreement with OPAL for investment management services and is calculated at 1.5% per annum on the net asset value of the Company at each preceding month end as defined in the agreement.
4. the Company paid brokerage commission totalling HK\$39,824 (2005: HK\$ 27,346) to Oriental Patron Securities Limited, a wholly owned subsidiary of OPFSGL, for securities services provided. The brokerage commission was charged at 0.25% on transaction value.

14 **Related party transactions** *(Continued)*

(B) **Compensation of key management personnel**

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Short-term employee benefits	325,998	258,000

15 **Approval of Interim Report**

The Interim Report was approved by the board of directors on 15 December 2006.