NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The accounting policies in the condensed financial statements are consistent with those adopted in the preparation of the annual financial statements of the Group for the year ended 30 June 2005 except for as described below:

2. SIGNIFICANT ACCOUNTING POLICIES

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standard ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for the accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs did not result in substantial change to the Group accounting policies. In Summary:

– HKAS 1 has effected the presentation of minority interest and other disclosures.

– HKAS 24 has effected the identification of related parties and some other related-party disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets / financial liabilities at fair value through profit or loss. The adoption of HKAS 39 has had no material effect on the Group's result for current and prior accounting periods.

2.1 Investments

From 1 July 2004 to 30 June 2005:

The Group classified its investments in securities, as investment securities, non-trading debt securities.

(a) *Investment securities and non-trading debt securities*

Investment securities and non-trading debt securities including those listed and unlisted securities which were held for non-trading purpose were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the security was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with in the income statement.

Where there was objective evidence that individual investments were impaired the cumulative loss recorded in the investment revaluation reserve was taken to the income statement.

From 1 July 2005 onwards:

The Group classifies its investments as available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(b) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date. During the period, the Group did not hold any investments in this category.

(c) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as noncurrent assets. During the period, the Group did not hold any investments in this category.

(d) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the period, the Group did not hold any investments in this category.

(e) *Available-for-sale financial assets*

Available-for-sale financial assets are nonderivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

2.2 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK dollars, which is the Group's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Translation differences on non-monetary items, such as financial instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) *Group Companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchangerates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market price risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Market price risk*

The Group has equity securities and debt securities which are classified on the consolidated balance sheet as available-for-sale financial assets. These are susceptible to market price risk arising from uncertainties about the future prices of the instruments. The Group's market price risk is managed through diversification of the investment portfolio ratios by exposures.

(b) *Credit risk*

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the balance sheet date, if any. The Group is responsible for monitoring the amount of credit exposure to any financial institution.

(c) *Liquidity risk*

The Group invests in both listed and unlisted securities. Those listed securities are considered readily realisable as they are listed in regulated stock exchanges. Those unlisted securities may not be traded in an organized public market and may be illiquid. As a result, the Group may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices, dealer quotes for similar instruments and other techniques, such as estimated discounted cash flows, are used to determine the fair value.

4. INCOME AND SEGMENT INFORMATION

The Group is principally engaged in the investment in listed and unlisted companies and all the investment decisions are made in Hong Kong SAR. Accordingly, no analysis of business segment is provided. No geographical analysis is presented as none of the Group's turnover, results, assets and liabilities are attributable to markets outside the People's Republic of China (the "PRC") (including Hong Kong).

5. TURNOVER AND OTHER INCOME

The Group is principally engaged in the investment in listed and unlisted companies. An analysis of the turnover and other income as follows:

	Six months ended 31 December (unaudited)	
	2005	2004
	HK$	*HK$*
Turnover		
Proceeds from sale of trading securities	**–**	–
Other income		
Interest income	**2,570**	–

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	Six months ended 31 December (unaudited)	
	2005	2004
	HK$	*HK$*
Staff costs (excluding directors' remuneration)		
Salaries and wages	**201,032**	148,267
Pension scheme contributions	**9,589**	5,880
	210,621	154,147
Depreciation	**15,186**	9,867

7. FINANCE COSTS

	Six months ended 31 December (unaudited) 2005 HK$	2004 HK$
Interest expenses on other loans	**45,278**	62,879

8. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the Group did not generate any assessable profits during the six months ended 31 December 2005.

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period attributable to shareholders of HK$1,656,654 (six months ended 31 December 2004: loss of HK$988,039) and the weighted average of 48,000,000 (six months ended 31 December 2004: 48,000,000) ordinary shares in issue during the period.

Diluted loss per share amounts has not been disclosed as there is no diluting events existed for both periods.

10. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2005.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31.12.2005 HK$	30.6.2005 HK$
Unlisted equity securities, at fair value	**9,000,000**	–

12. OTHER LOANS

Except for an amount of HK$1,500,000 due to a former director which bears interest at a rate of 3% per annum, which are repayable on or before 30 June 2006, the amounts of other loans are unsecured, interest-free and with no fixed repayment term.

13. DUE TO DIRECTORS

Except for an amount of HK$1,000,000 (2004: Nil) due to a director which bears interest at a rate of 2.4% per annum, the amounts due to directors are unsecured, interest-free and repayable on or before 30 June 2006.

14. DUE TO A SHAREHOLDER

A deed of waiver made between the Company and a shareholder on 30 November 2005, pursuant to which, the shareholder agreed to waive the debt of HK$2,765,838 (including the amount of HK$2,734,401 brought forward from 30 June 2005) due by the Company.

15. ISSUED CAPITAL

	31.12.2005 HK$	30.6.2005 HK$
Issued and fully paid:		
48,000,000 ordinary shares of HK$0.10 each	**4,800,000**	4,800,000

16. RELATED PARTY TRANSACTIONS

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

	Notes	**31.12.2005** ***HK$***	30.6.2005 *HK$*
Investment management fee paid to Glory Investment Assets Limited	(i)	**–**	100,189
Interest expenses paid to directors	(ii)	**12,098**	53,020
Interest expenses paid to a shareholder	(iii)	**31,438**	77,056
Disposal of property, plant and equipment	(iv)	**–**	51,324

(i) Pursuant to the Investment Management Agreement dated 24 May 2001 entered into between the Company and Glory Investment Assets Limited (the "Investment Manager"), the Investment Manager provides investment management services and general administrative services to the Group. Under this arrangement, the Investment Manager is entitled to a monthly management fee payable in advance, calculated at 2.5% per annum of the net asset value of the Group as at the end of the preceding month on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to 15% of the surplus in net asset value of the Group over a financial year or period.

Pursuant to a supplemental agreement to the Investment Management Agreement dated 25 June 2002 entered into between the Company and the Investment Manager (the "Supplemental Agreement"), the monthly management fee payable in advance was reduced from 2.5% per annum to 2.0% per annum of the net asset value of the Group as at the end of the preceding month, calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. The Supplemental Agreement became effective on 2 August 2002. During the year on 24 May 2004, the above arrangement between the Company and the Investment Manager has been extended until 4 July 2005 and since then Glory Investment Assets Limited has no longer acted as the investment manager of the Company.

Ms. Chiu Kam Hing, Kathy, a former executive director of the Company, has a 30% equity interest in the Investment Manager.

(ii) The interest expense paid to directors of the Company related to advance granted, further details of which are included in note 13 to the financial statements.

(iii) The interest expense paid to a shareholder of the Company related to advance granted, further details of which are included in note 14 to the financial statements.

(iv) The Company disposed property, plant and equipment to a company, in which Ms. Chiu Kam Hing, Kathy, a former director of the Company, is also a director of that company.

17. BUSINESS REVIEW

For the six months ended 31 December 2005, the Group reported a loss of approximately HK$1.66 million (2004 loss: HK$1.0 million). The loss is mainly attributable to the operating expenses in Hong Kong.

Over the period under review, the general investment environment has improved, but the overall outlook is still uncertain. Although the economy of the region within which we operate has shown positive signs of recovery, other factors such as currency risk and political issues have brought negative impact, creating an uncertain picture in the year ahead. The Group had not made any investments during the same period due to the lack of new capital for investment. Also, all the Group's existing investments are all in unlisted equities which are long term and illiquid in nature. For this reason, although the Hong Kong stock market marked a considerable recovery, the Group did not benefit from the stock market rally.

18. PROSPECT

The Group is consolidating its investments and tuning its financial position with an objective in minimizing losses which might arise from unsound investments, while strengthening investments with stable revenues.

On 2 November 2005, the Company and an investor entered into the Subscription Agreement, pursuant to which the Company agreed to allot and issue and the Subscriber agreed to subscribe in cash of HK$8,000,000 for a total of 89,142,857 Subscription Shares which represents the Subscription Price of approximately HK$0.0897 per Subscription Share. The investor has undertaken to the Company that, upon completion of the Subscription Agreement, an amount of HK$5 million will be provided to the Company by way of shareholder's loan from the investor. The shareholder's loan shall be unsecured, with a term of three years and interest rate at 4.5% per annum. The Directors believe that the Subscription and the shareholder's loan can solve the financial difficulties of the Company and help the Company in long term development.

19. LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2005, the Group had cash and bank balance of HK$607,792 (31 December 2004: HK$195). Most of the cash and bank balances were placed in Hong Kong dollar deposits with a bank in Hong Kong SAR.

20. FOREIGN CURRENCY FLUCTUATION

Since the Group mainly uses Hong Kong dollars to carry out its business transactions, the Group believes that foreign exchange risk is minimal. No foreign exchange forward contract was outstanding as at 31 December 2005 (2004: Nil).

21. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2005, the interests and short positions of the directors and chief executive in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Long position in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest					
Name of a former director	Directly beneficially owned	Through spouse	Through controlled corporation	Beneficiary of a trust	Total	Percentage of the Company's issued share capital
Mr. Lau Sze Shing, Edward *(note)*	–	8,500,000	8,500,000	–	8,500,000	17.71

Note: Mr. Lau Sze Shing, Edward is a beneficial shareholder of approximately 28.75% of the issued share capital of Oceanwide Investments Limited, which indirectly holds 8,500,000 shares of the Company through its wholly owned subsidiary, Advance Elite Holdings Limited.

Ms. Chan Sui Kuen is the spouse of Mr. Lau Sze Shing, Edward. She is a beneficial shareholder of approximately 12.08% of the issued share capital of Oceanwide Investments Limited, which indirectly holds 8,500,000 shares of the Company through its wholly-owned subsidiary, Advance Elite Holdings Limited.

Save as disclosed above, none of the directors and chief executive had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

22. DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

23. EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2005, the Group employed a total of 2 employees. Total staff cost of the Group, excluding directors' remuneration, for the period amounted to HK$201,032 (2004: HK$ 148,267). Employee's remuneration are fixed and determined with reference to the market rate.

24. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2005, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	*Note*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Oceanwide Investments Limited	(a)	Through a controlled corporation	8,500,000	17.71
Advance Elite Holdings Limited	(a)	Directly benefically owned	8,500,000	17.71
Ms. Chan Sui Kuen	(b)	Through a controlled corporation	8,500,000	17.71
Mr. Deng Chi Yuan		Directly beneficially owned	4,830,000	10.06

Notes:

(a) The ordinary shares are held by Advance Elite Holdings Limited, which is wholly-owned by Oceanwide Investments Limited.

(b) Ms. Chan Sui Kuen was deemed to have substantial interest in 8,500,000 shares of the Company by virtue of her 12.08% indirect interest in Advance Elite Holdings Limited, which holds 8,500,000 shares of the Company, and being the spouse of a director, Mr. Lau Sze Shing, Edward, who has 28.75% indirect interest in Advance Elite Holdings Limited, of which their combined interest in the Company exceeded 5%.

Save as disclosed above, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

25. AUDIT COMMITTEE

The Company has established an audit committee in accordance with rule 3.21 of the Listing Rules. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 31 December 2005.

26. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions of the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the interim report.

Code Provision B.1.1 to B.1.4

The Company has not established a remuneration committee in view of the Company's simple structure and low staff cost (since the Company is being managed by its investment manager pursuant to the terms of written management agreement approved by the shareholders). The Board will reconsider establishment of remuneration committee periodically.

27. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the Code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the period.

28. PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's ordinary shares during the period.

On behalf of the Board
Wang Wen Xia
CEO

Hong Kong SAR, 29 March 2006