

CHINA PUB COMPANY PLC

Interim Accounts for China Pub Company Plc for the six months ended 30 June 2008.

China Pub Company plc presents its unaudited interim accounts for the six months ended 30 June 2008.

The Company is currently seeking a second round of funding to expand its operations with the development and acquisition of up to an additional 25 pubs throughout Greater China within the next two years.

The Greater China market remains strong and the Company has already identified and commenced negotiations on a number of exciting opportunities. This combined with Chinese economic growth forecasts for 2009 between 9%-9.5% by the Asian Development Bank and the World Economic Forum, present an exciting future for China Pub Company plc.

The Company is confident of achieving its goals in the coming year. It is in a strong position with all its assets and operating businesses unencumbered and it believes it has the management team and business plan in place to advance the company to the next level.

A copy of the interim results will be available on the Company's website www.chinapubplc.com

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CHINA PUB COMPANY PLC

Consolidated interim financial statements
as at 30 June 2008

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Condensed consolidated interim income statement

		6 months to 30 June 2008 (unaudited) £	6 months to 30 June 2007 (unaudited) £	Year to 31 December 2007 £
	Note			
Revenue	4	460,504	217,006	470,226
Cost of sales		(147,278)	(149,049)	(135,130)
Gross profit		<u>313,226</u>	<u>67,957</u>	<u>335,096</u>
Other income		13,534	35,675	63,750
Administrative costs		(868,614)	(467,535)	(1,144,953)
Loss before tax		<u>(541,854)</u>	<u>(363,903)</u>	<u>(746,107)</u>
Income tax expense		-	-	-
Loss for the period	4	<u>(541,854)</u>	<u>(363,903)</u>	<u>(746,107)</u>
Attributable to:				
Equity holders of the parent		<u>(541,854)</u>	<u>(363,903)</u>	<u>(746,107)</u>
Loss per share:				
Basic loss per share	7	<u>(0.0837)</u>	<u>(0.0625)</u>	<u>(0.1218)</u>
Diluted loss per share	7	<u>(0.0837)</u>	<u>(0.0625)</u>	<u>(0.1218)</u>

Condensed consolidated interim balance sheet

	30 June 2008 (unaudited) £	30 June 2007 (unaudited) £	31 December 2007 £
ASSETS			
Non-current assets			
Property, plant and equipment	492,777	258,236	351,814
Goodwill	148,286	147,400	151,154
	<u>641,063</u>	<u>405,636</u>	<u>502,968</u>
Current assets			
Inventories	21,488	6,094	8,501
Trade and other receivables	205,784	114,055	182,953
Other current assets	66,381	19,976	4,554
Cash and cash equivalents	825,427	1,975,317	1,517,014
	<u>1,119,080</u>	<u>2,115,442</u>	<u>1,713,022</u>
Total assets	<u><u>1,760,143</u></u>	<u><u>2,521,078</u></u>	<u><u>2,215,990</u></u>
LIABILITIES			
Current liabilities			
Trade and other payables	(170,475)	(64,459)	(123,760)
Short-term provisions	(16,068)	-	(5,224)
Total liabilities	<u>(186,543)</u>	<u>(64,459)</u>	<u>(128,984)</u>
Net assets	<u><u>1,573,600</u></u>	<u><u>2,456,619</u></u>	<u><u>2,087,006</u></u>
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	129,562	129,508	129,508
Share premium account	2,987,326	2,976,580	2,976,580
Translation reserve	34,642	4,404	16,994
Profit and loss account	(1,577,930)	(653,873)	(1,036,076)
Total equity	<u><u>1,573,600</u></u>	<u><u>2,456,619</u></u>	<u><u>2,087,006</u></u>

Condensed consolidated interim statement of changes in equity

	Share capital	Share premium account	Share options reserve	Translation reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
Changes in equity for first half of 2008						
Balance at 1 January 2008	129,508	2,976,580	-	16,994	(1,036,076)	2,087,006
Exchange differences	-	-	-	17,648	-	17,648
Loss for the period	-	-	-	-	(541,854)	(541,854)
Total recognised income and expense for the period	-	-	-	17,648	(541,854)	(524,206)
Issue of share capital	54	10,746	-	-	-	10,800
Balance at 30 June 2008	129,562	2,987,326	-	34,642	(1,577,930)	1,573,600
Changes in equity for first half of 2007						
Balance at 1 January 2007	86,126	1,244,880	13,139	(6,165)	(291,688)	1,046,292
Changes in accounting policy	-	-	(13,139)	6,165	1,718	(5,256)
Restated at 1 January 2007	86,126	1,244,880	-	-	(289,970)	1,041,036
Exchange differences	-	-	-	4,404	-	4,404
Loss for the period	-	-	-	-	(363,903)	(363,903)
Total recognised income and expense for the period	-	-	-	4,404	(363,903)	(359,499)
Issue of share capital	43,382	1,731,700	-	-	-	1,775,082
Balance at 30 June 2007	129,508	2,976,580	-	4,404	(653,873)	2,456,619
Changes in equity for the year 2007						
Balance at 1 January 2007	86,126	1,244,880	13,139	(6,165)	(291,688)	1,046,292
Changes in accounting policy	-	-	(13,139)	6,165	1,719	(5,255)
Restated at 1 January 2007	86,126	1,244,880	-	-	(289,969)	1,041,037
Exchange differences	-	-	-	16,994	-	16,994
Loss for the period	-	-	-	-	(746,107)	(746,107)
Total recognised income and expense for the period	-	-	-	16,994	(746,107)	(729,113)
Issue of share capital	43,382	1,731,700	-	-	-	1,775,082
Balance at 31 December 2007	129,508	2,976,580	-	16,994	(1,036,076)	2,087,006

Condensed consolidated interim cash flow statement

	6 months to 30 June 2008 (unaudited)	6 months to 30 June 2007 (unaudited) Restated	Year to 31 December 2007 Restated
	£	£	£
Cash flows from operating activities			
Loss after taxation	(541,854)	(363,903)	(746,107)
Adjustments for:			
Depreciation and amortisation	67,633	25,478	91,586
Foreign exchange loss	20,516	8,720	17,555
Investment income	(13,534)	(35,675)	(63,750)
Increase in trade and other receivables	(84,658)	(25,488)	(78,964)
Increase in inventories	(12,987)	(1,206)	(3,613)
Increase in trade payables	57,559	13,433	77,960
Net cash from operating activities	(507,325)	(378,641)	(705,333)
Cash flows from investing activities			
Purchase of property, plant and equipment	(208,596)	(13,021)	(172,706)
Interest received	13,534	35,675	63,750
Net cash used in investing activities	(195,062)	22,654	(108,956)
Cash flows from financing activities			
Proceeds from issue of share capital	10,800	1,775,082	1,775,082
Net cash used in financing activities	10,800	1,775,082	1,775,082
Net (decrease)/increase in cash and cash equivalents	(691,587)	1,419,096	960,793
Cash and cash equivalents at beginning of period	1,517,014	556,221	556,221
Cash and cash equivalents at end of period	825,427	1,975,317	1,517,014

Notes to the condensed consolidated interim financial statements

1 Nature of operations and general information

China Pub Company plc and subsidiaries' ('the Group') principal activity is operating branded food and beverage outlets in Greater China.

China Pub Company plc is the Group's ultimate parent company. It is incorporated and domiciled in Great Britain. The address of China Pub Company plc's registered office is Level 5, 25 Buckingham Gate, London, United Kingdom. China Pub Company plc's shares are listed on the Channel Island Stock Exchange.

China Pub Company's consolidated interim financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company.

These consolidated condensed interim financial statements have been approved for issue by the Board of Directors on 30 September 2008. The directors have not recommended a dividend.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 31 December 2007, prepared under UK GAAP, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985.

2 Basis of preparation

These interim condensed consolidated financial statements are for the six months ended 30 June 2008. They have been prepared in accordance with IAS 34 "Interim Financial Reporting" and the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" relevant to interim reports, because they are part of the period covered by the Group's first IFRS financial statements for the year ending 31 December 2008. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2007.

These financial statements have been prepared under the historical cost convention.

These condensed consolidated interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 31 December 2008 or are expected to be adopted and effective at 31 December 2008, our first annual reporting date at which we are required to use IFRS accounting standards adopted by the EU.

China Pub Company plc's consolidated financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 31 December 2007. The date of transition to IFRS was 1 January 2007. The comparative figures in respect of 2007 have been restated to reflect changes in accounting policies as a result of adoption of IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules, presented and explained in note 8.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

3 Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial statements and operating policies of an investee entity so as to obtain benefits from its activities.

The accounting policies of all subsidiaries are uniform with the parent company. The results of all subsidiaries are included in the consolidated financial statements.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Impairment loss

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

3 Summary of significant accounting policies (continued)

Impairment loss (continued)

Recoverable amount is the higher of fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. The reversal of an impairment loss is recognised as income immediately.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts obtained through trading activities, net of value added tax.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

3 Summary of significant accounting policies (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Investments

Investments in subsidiaries are valued at cost less provision for impairment.

Property, plant and equipment

Property, plant and equipment are stated as cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Computers	-	30%
Plant & equipment	-	20%
Fixtures & fittings	-	20%
Leasehold improvements	-	over period of lease
Office equipment	-	20%
Boat	-	4%

Operating leases

Rent applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income statement on a systematic basis over the term of the lease.

Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

(ii) Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held-for-trading purposes, gains and losses arising from changes in fair value are included in the net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through the income statement.

(iii) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iv) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

(v) Convertible loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate of similar non-convertible debt. The difference between the proceeds of issue of convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the group, is included in equity.

(vi) Trade payables

Trade payables are initially measured at fair value, and are amortised cost, using the effective interest rate method.

(vii) Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

3 Summary of significant accounting policies (continued)

Share based payments

Under IFRS 2 'Share based payments', the Group recognises a charge to the income account for the fair value of the outstanding share awards in relation to the option contracts of the Group's share capital issued during the year. As all the Group share based payments are equity settled, a corresponding amount is credited to the share options reserve directly in equity. If the share awards issued relate directly to capital fundraising, the charge for the fair value of those awards is posted against the share premium account.

4 Segment analysis

China Pub Company operates two main business segments; Trading and Corporate. The activities undertaken by the Trading segment include the operating of the pubs and running charters on the *DUK LING, The icon of Hong Kong®*, as well as the acquisition and development of new sites. The activities of the Corporate division include operating corporate offices in Hong Kong, Shanghai, Macau and London, central office duties for accounting and compliance including being listed on the Channel Island Stock Exchange, as well as employing a dedicated team who are actively seeking new sites in Greater China.

The revenues and net result generated by each of China Pub Company plc's business segments are summarised as follows:

6 months to 30 June 2008

	Trading	Corporate	Consolidation	Group
Revenue	460,504	58,434	(58,434)	460,504
Loss after tax	<u>(263,185)</u>	<u>(337,103)</u>	<u>58,434</u>	<u>(541,854)</u>

6 months to 30 June 2007

	Trading	Corporate	Consolidation	Group
Revenue	217,006	-	-	217,006
Loss after tax	<u>(69,311)</u>	<u>(294,592)</u>	<u>-</u>	<u>(363,903)</u>

Year to 31 December 2007

	Trading	Corporate	Consolidation	Group
Revenue	470,226	-	-	470,226
Loss after tax	<u>(111,232)</u>	<u>(634,875)</u>	<u>-</u>	<u>(746,107)</u>

5 Share issue

During the period to 30 June 2008 270,000 shares were issued. The share issue yielded £10,800 in cash and increased equity by £10,800. The weighted average share price at the date of exercise was £0.04.

6 months to 30 June 2008

	Number	£
At 1 January 2008	647,538,000	129,508
Issue of shares	270,000	54
At 30 June 2008	<u>647,808,000</u>	<u>129,562</u>

6 months to 30 June 2007

	Number	£
At 1 January 2007	430,630,000	86,126
Issue of shares	216,908,000	43,382
At 30 June 2007	<u>647,538,000</u>	<u>129,508</u>

Year to 31 December 2007

	Number	£
At 1 January 2007	430,630,000	86,126
Issue of shares	216,908,000	43,382
At 31 December 2007	<u>647,538,000</u>	<u>129,508</u>

6 Post balance sheet events

On 31 August 2008, the Group signed a 6 year contract for lease of a site in Macau. It is expected that the site will take 3 months to develop and be open for trading. The Group intends to operate the site as a Kennedy's Irish pub.

On 24 September 2008, the Group signed a 6 year and 3 month contract for lease of a site in Kowloon, Hong Kong. It is expected that the site will take 3 months to develop and be open for trading. The Group intends to operate the site as a Kennedy's Irish pub.

7 Loss per share

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The calculation of diluted loss per share is based on the basic loss per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliations of the loss and weighted average number of shares used in the calculations are set out below.

	Loss £	Weighted average number of shares	Per share amount Pence
6 months to 30 June 2008			
Loss attributable to ordinary shareholders	(541,854)		
Weighted average number of shares (used for basic loss per share)		647,578,276	
Dilutive effect of options		<u>147,194,773</u>	
Diluted weighted average number of shares (used for diluted loss per share)		794,773,049	
Basic loss per share			<u>(0.0837)</u>
Diluted loss per share			<u>(0.0837)</u>
6 months to 30 June 2007			
Loss attributable to ordinary shareholders	(363,903)		
Weighted average number of shares (used for basic loss per share)		582,209,556	
Dilutive effect of options		<u>128,388,671</u>	
Diluted weighted average number of shares (used for diluted loss per share)		710,598,227	
Basic loss per share			<u>(0.0625)</u>
Diluted loss per share			<u>(0.0625)</u>
Year to 31 December 2007			
Loss attributable to ordinary shareholders	(746,107)		
Weighted average number of shares (used for basic loss per share)		612,481,049	
Dilutive effect of options		<u>135,064,132</u>	
Diluted weighted average number of shares (used for diluted loss per share)		747,545,181	
Basic loss per share			<u>(0.1218)</u>
Diluted loss per share			<u>(0.1218)</u>

8 Explanation of transition to IFRS

As stated in the basis of preparation, these are the Group's first condensed consolidated interim financial statements for part of the period covered by the first IFRS annual consolidated financial statements prepared in accordance with IFRS.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below.

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These interim financial statements have been prepared on the basis of taking the following exemptions:

- business combinations prior to 1 January 2007, the Group's date of transition to IFRS, have not been restated to comply with IFRS 3 "Business Combinations". Goodwill arising from these business combinations of £156,972 has not been restated other than as set out in note c below.
- cumulative translation differences on foreign operations are deemed to be nil at 1 January 2007. Any gains and losses recognised in the consolidated income statement on subsequent disposal of foreign operations will exclude translation differences arising prior to the transition date.
- the entity has elected not to apply IAS 21 "The Effects of Changes in Foreign Exchange Rates" retrospectively to goodwill and fair value adjustments arising on business combinations before the Group's date of transition to IFRS. Such goodwill and fair value adjustments are not treated as foreign currency assets and so are not retranslated at each reporting date.

China Pub Company plc**Consolidated interim financial statements for the period ended 30 June 2008****15***Reconciliation of equity at 1 January 2007*

	UK GAAP		Notes		IFRS
	£	a	b	c	£
		£	£	£	
Non-current assets					
Property, plant and equipment	270,694	-	-	-	270,694
Goodwill	156,972	-	-	(5,256)	151,716
Other intangible assets	-	-	-	-	-
Current assets					
Inventories	4,888	-	-	-	4,888
Trade and other receivables	108,543	-	-	-	108,543
Other current assets	-	-	-	-	-
Cash and cash equivalents	556,221	-	-	-	556,221
Current liabilities					
Trade and other payables	(51,026)	-	-	-	(51,026)
Short-term provisions	-	-	-	-	-
Net assets	<u>1,046,292</u>	<u>-</u>	<u>-</u>	<u>(5,256)</u>	<u>1,041,036</u>
Equity					
Share capital	86,126	-	-	-	86,126
Share premium account	1,244,880	-	-	-	1,244,880
Share option reserve	13,139	(13,139)	-	-	-
Translation reserve	(6,165)	-	6,165	-	-
Profit and loss account	(291,688)	13,139	(6,165)	(5,256)	(289,970)
Total equity	<u>1,046,292</u>	<u>-</u>	<u>-</u>	<u>(5,256)</u>	<u>1,041,036</u>

China Pub Company plc

Consolidated interim financial statements for the period ended 30 June 2008

Reconciliation of equity at 30 June 2007

	UK GAAP	a	b	Notes	c	d	IFRS
	£	£	£		£	£	£
Non-current assets							
Property, plant and equipment	258,236	-	-		-	-	258,236
Goodwill	144,814	-	-		2,586	-	147,400
Other intangible assets	-	-	-		-	-	-
Current assets							
Inventories	6,094	-	-		-	-	6,094
Trade and other receivables	134,031	-	-		-	(19,976)	114,055
Other current assets	-	-	-		-	19,976	19,976
Cash and cash equivalents	1,975,317	-	-		-	-	1,975,317
Current liabilities							
Trade and other payables	(64,459)	-	-		-	-	(64,459)
Net assets	<u>2,454,033</u>	<u>-</u>	<u>-</u>		<u>2,586</u>	<u>-</u>	<u>2,456,619</u>
Equity							
Share capital	129,508	-	-		-	-	129,508
Share premium account	2,976,580	-	-		-	-	2,976,580
Share option reserve	13,139	(13,139)	-		-	-	-
Translation reserve	-	-	4,404		-	-	4,404
Profit and loss account	(665,194)	13,139	(4,404)		2,586	-	(653,873)
Total equity	<u>2,454,033</u>	<u>-</u>	<u>-</u>		<u>2,586</u>	<u>-</u>	<u>2,456,619</u>

China Pub Company plc

Consolidated interim financial statements for the period ended 30 June 2008

Reconciliation of equity at 1 January 2008

	UK GAAP	a	b	Notes	d	e	IFRS
	£	£	£	c	£	£	£
				£			
Non-current assets							
Property, plant and equipment	351,814	-	-	-	-	-	351,814
Goodwill	133,123	-	-	18,031	-	-	151,154
Other intangible assets	-	-	-	-	-	-	-
Current assets							
Inventories	8,501	-	-	-	-	-	8,501
Trade and other receivables	187,507	-	-	-	(4,554)	-	182,953
Other current assets	-	-	-	-	4,554	-	4,554
Cash and cash equivalents	1,517,014	-	-	-	-	-	1,517,014
Current liabilities							
Trade and other payables	(128,984)	-	-	-	-	5,224	(123,760)
Short-term provisions	-	-	-	-	-	(5,224)	(5,224)
Net assets	<u>2,068,975</u>	<u>-</u>	<u>-</u>	<u>18,031</u>	<u>-</u>	<u>-</u>	<u>2,087,006</u>
Equity							
Share capital	129,508	-	-	-	-	-	129,508
Share premium account	2,976,580	-	-	-	-	-	2,976,580
Share option reserve	13,139	(13,139)	-	-	-	-	-
Translation reserve	-	-	16,994	-	-	-	16,994
Profit and loss account	(1,050,252)	13,139	(16,994)	18,031	-	-	(1,036,076)
Total equity	<u>2,068,975</u>	<u>-</u>	<u>-</u>	<u>18,031</u>	<u>-</u>	<u>-</u>	<u>2,087,006</u>

Reconciliation of profit for the 6 months ended 30 June 2007

	UK GAAP	Note	IFRS
	£	a	£
Revenue	217,006	-	217,006
Cost of sales	(149,049)	-	(149,049)
Gross profit	<u>67,957</u>	-	<u>67,957</u>
Other income	35,675	-	35,675
Distribution costs	-	-	-
Administrative costs	(470,121)	2,586	(467,535)
Profit before tax	<u>(366,489)</u>	<u>2,586</u>	<u>(363,903)</u>
Income tax expense	-	-	-
Profit after tax	<u>(366,489)</u>	<u>2,586</u>	<u>(363,903)</u>

Reconciliation of profit for the year to 31 December 2007

	UK GAAP	Note	IFRS
	£	a	£
Revenue	470,226	-	470,226
Cost of sales	(135,130)	-	(135,130)
Gross profit	<u>335,096</u>	-	<u>335,096</u>
Other income	63,750	-	63,750
Distribution costs	-	-	-
Administrative costs	(1,153,332)	8,379	(1,144,953)
Profit before tax	<u>(754,486)</u>	<u>8,379</u>	<u>(746,107)</u>
Income tax expense	-	-	-
Profit after tax	<u>(754,486)</u>	<u>8,379</u>	<u>(746,107)</u>

Notes to the reconciliations

- a) These adjustments relate to the share option reserve recognised in 2005. Under IFRS these are deemed to be nil at 1 January 2007, the date of transition.
- b) Cumulative translation differences on foreign operations are deemed to be nil at 1 January 2007. These entries are to reset the balance in the translation reserve account to nil.
- c) These entries are to freeze the balance of goodwill at the date of transition. Under IFRS goodwill is not amortised, but tested annually for impairment. The goodwill amortisation charge recognised in accordance with UK GAAP in 2007 was written back. The result of these adjustments is to decrease the amortisation charge in the income statement for the six months ended 30 June 2007 by £2,586 and by £8,379 for the year ended 31 December 2007.
- d) Application of IFRS has resulted in reclassification of certain items in the balance sheet statement as follows:
 - (i) under UK GAAP, prepayments were classified as part of other receivables. Under IFRS, prepayments have been reclassified as prepayments.
 - (ii) under UK GAAP, provisions were classified as part of other payables. Under IFRS, provisions have been reclassified as provisions.

There are no other material differences between the balance sheet statements presented under IFRS and the balance sheet statement presented under UK GAAP.

Explanation of material adjustments to the cash flow statement

The definition of cash is narrower under UK GAAP than under IAS 7 "Cash Flow Statements". Under IFRS highly liquid investments, readily convertible to a known amount of cash and with an insignificant risk of changes in value, are regarded as cash equivalents. The cash flow statement in the last UK GAAP financial statements reported movements in cash. The cash flow statement in these IFRS condensed consolidated interim financial statements reports movements in cash and cash equivalents.

Application of IFRS has resulted in reclassification of certain items in the cash flow statement as follows:

- (i) under UK GAAP, payments to acquire property, plant and equipment were classified as part of 'Capital expenditure and financial investment'. Under IFRS, payments to acquire property, plant and equipment have been classified as part of 'Investing activities'.

There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP.