

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION

These unaudited, condensed, consolidated interim accounts (“interim accounts”) are prepared in accordance with the requirements of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited, and Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, except that comparative figures for cash flow statement have not been prepared as the Group has taken advantage of the transitional provisions set out in the Listing Rules.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the audited accounts for the year ended 31st December, 2000 (“Last Audited Accounts”), except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases (effective for periods commencing on or after 1st July, 2000)
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group’s accounting policies and the effect of adopting these new policies is set out below:

(a) SSAP 9 (revised) Events after balance sheet date

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has no impact on the Group’s interim accounts.

(b) SSAP 14: Leases

In Note 15(a) to these interim accounts, the comparative figures have been adjusted to conform with changes in presentation in the current period in order to take into account the requirements of the revised SSAP14.

(c) SSAP 26: Segment Reporting

In Note 2 to these condensed interim accounts, the Group has not disclosed business segment nor geographical information as required under SSAP 26, as the Group has one single business segment, investment holding, and it only operates in Hong Kong.

(d) SSAP 30 Business Combinations

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired associated company at the date of acquisition. Goodwill on acquisition is included in "Investments in associated companies" and is amortised using the straight-line method over its estimated useful life of 5 years. Any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of Assets".

2. REVENUES AND TURNOVER

The Group principally invests in securities listed on The Stock Exchange of Hong Kong Limited and unlisted securities, including equity securities, convertible bonds and notes, issued by corporate entities. Total revenues recognised during the period are as follows:

	Six months ended 30th June,	
	2001 (Unaudited) <i>HK\$</i>	2000 (Unaudited) <i>HK\$</i>
Turnover		
Interest income from		
– bank deposits	424,245	577,575
– investment securities	2,247,640	2,317,596
Dividend income from		
– listed investments	142,267	165,473
– unlisted investments	3,343,300	–
	6,157,452	3,060,644
Other revenues		
(Loss)/gain on sale of		
– other investments	(297,136)	13,570,146
– investment securities	–	1,400,000
Commission from underwriting services	–	37,500
Other income	27,000	–
	(270,136)	15,007,646
Total revenues	5,887,316	18,068,290

No geographical analysis is provided as all operations are conducted in Hong Kong.

3. OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30th June,	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Management fees (<i>Note 14</i>)	1,222,370	1,389,534
Depreciation	176,167	173,150
Amortisation of goodwill	120,762	–
Operating lease in respect of land and buildings	116,640	126,000
	<u>116,640</u>	<u>126,000</u>

Note: The comparative figures for other operating costs have been adjusted as a result of reclassification of staff salaries, depreciation and amortisation, finance costs and management fees in order to conform with current period's presentation.

4. FINANCE COSTS

Amount represents interest on convertible bonds issued by the Group which will be wholly repayable on conversion into shares of a subsidiary within 5 years.

5. TAXATION CHARGE

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30th June,	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Hong Kong profits tax	68,000	430,000
	<u>68,000</u>	<u>430,000</u>

6. DIVIDENDS

	Six months ended 30th June, 2001	2000
	(Unaudited)	(Unaudited)
	HK\$	HK\$
	–	(569,913)
	<u> </u>	<u> </u>

Final of 1999, paid, of HK\$0.5 cents per ordinary share (*Note*).

Note: The dividends for the previous period represents payment of 1999 dividend on the additional 113,982,600 ordinary shares issued.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$9,945,621 (2000: HK\$8,337,950) and on the weighted average of 973,226,010 (2000: 853,823,925) ordinary shares in issue during the period. No diluted earnings per share for 2000 and 2001 are presented as the effect arising from the exercise of outstanding warrants and options is anti-dilutive.

8. INVESTMENTS IN ASSOCIATED COMPANIES

	30th June, 2001	31st December, 2000
	(Unaudited)	(Audited)
	HK\$	HK\$
Share of net assets other than goodwill	1,112,581	6,511,538
Share of goodwill on acquisition of an associated Company	1,006,348	–
	<u> </u>	<u> </u>
	2,118,929	6,511,538
Amount due from an associated company	–	6,000,000
	<u> </u>	<u> </u>
	2,118,929	12,511,538
	<u> </u>	<u> </u>

9. INVESTMENT SECURITIES

	30th June, 2001	31st December, 2000
	(Unaudited)	(Audited)
	HK\$	HK\$
Investment securities, at cost:		
Convertible notes and bonds, unlisted	36,350,000	36,350,000
Equity securities, unlisted	83,213,683	50,338,083
Equity securities, listed in Hong Kong	9,943,333	10,000,000
	<u>129,507,016</u>	<u>96,688,083</u>
<i>Less:</i> Provision for diminution in the value of investment securities	<u>(15,800,000)</u>	<u>(10,800,000)</u>
	<u>113,707,016</u>	<u>85,888,083</u>
Market value of listed equity securities	<u>5,930,200</u>	<u>9,300,000</u>

Note: An additional provision of HK\$5,000,000 was made for diminution in the value of investment securities for the six months ended 30th June, 2001.

10. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30th June, 2001	31st December, 2000
	(Unaudited)	(Audited)
	HK\$	HK\$
Accounts receivable	18,682,452	22,398,002
Prepayments, deposits and other receivables	794,112	899,619
	<u>19,476,564</u>	<u>23,297,621</u>

Ageing analysis for accounts receivable is as follows:

	30th June, 2001 (Unaudited) HK\$	31st December, 2000 (Unaudited) HK\$
Within 30 days (<i>Note</i>)	15,002,822	14,338,002
30-60 days	1,847,809	8,060,000
Over 60 days	1,831,821	–
	<u>18,682,452</u>	<u>22,398,002</u>

Note: Included in the current 30 days balance comprises a sum of HK\$13 million placed with a company which will help the Group to identify appropriate investment opportunities for the aforesaid sum.

The Group adopted an average credit period of 60 to 90 days.

11. OTHER INVESTMENTS

	30th June, 2001 (Unaudited) HK\$	31st December, 2000 (Audited) HK\$
Equity securities, at fair value		
– Listed in Hong Kong	70,022,437	62,105,381
– Listed outside Hong Kong	3,978,000	2,340,000
	<u>74,000,437</u>	<u>64,445,381</u>
Market value of listed securities	<u>74,000,437</u>	<u>64,445,381</u>

12. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade payables with the following ageing analysis:

	30th June, 2001 (Unaudited) HK\$	31st December, 2000 (Unaudited) HK\$
Within 30 days	–	289,324
30 – 60 days	–	–
Over 60 days	193,440	–
	<u>193,440</u>	<u>289,324</u>
Accrued expenses and other payables	637,229	587,506
	<u>637,229</u>	<u>587,506</u>
	830,669	876,830
	<u>830,669</u>	<u>876,830</u>

13. RESERVES

	30th June, 2001 (Unaudited) HK\$	31st December, 2000 (Audited) HK\$
Share premium	138,407,561	138,407,561
Retained earnings		
As 1st January	11,920,911	50,279,537
Dividends (<i>Note 6</i>)	–	(569,913)
Profit/(loss) for the period/year	9,945,621	(37,788,713)
	<u>21,866,532</u>	<u>11,920,911</u>
	160,274,093	150,328,472
	<u>160,274,093</u>	<u>150,328,472</u>

14. RELATED PARTY TRANSACTIONS

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

	Six months ended 30th June, 2001	2000
	(Unaudited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Management fees		
– Harmony Asset Management Limited		
<i>(Note (a))</i>	<u>1,222,370</u>	<u>1,389,534</u>

(a) The nature and basis of the management fees are consistent with those disclosed in the last audited accounts.

In addition to the above the Group held 9,975,000 shares (2000: 9,975,000 shares) of a related company, Haywood Investments Limited (“HIL”), a company listed on The Stock Exchange of Hong Kong Limited. Dr. Chow Pok Yu, Augustine is a director of HIL. These shares were acquired in 1998 at a cash consideration of HK\$10,421,500 based on the market value at the date of acquisition. At 30th June, 2001, the market value of these shares was HK\$9,177,000.

15. COMMITMENTS

At 30th June, 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

(a) Commitments under operating lease

	30th June, 2001	31st December, 2000
	(Unaudited)	(Restated)
	<i>HK\$</i>	<i>HK\$</i>
Land and buildings		
Within one year	699,840	699,840
In the second to fifth years inclusive	<u>–</u>	<u>349,920</u>
	<u>699,840</u>	<u>1,049,760</u>

(b) Commitments under subscription agreements for investment securities

At 30th June, 2001, the Group had outstanding commitments amounting to HK\$2,900,000 (31st December, 2000: HK\$3,400,000) to subscribe for convertible bonds for investment purposes. The Group had no outstanding commitment to subscribe for equity securities (31st December, 2000: Nil).