

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2001

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed interim financial statements have been prepared under the historical cost convention, as modified by the marking-to-market of certain investments in securities.

The condensed interim financial statements have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants except that, in this first year of implementation of the Standard, as permitted by the Listing Rules, no comparative figures have been presented for the condensed cash flow statement.

The Company was incorporated on 9 February 2000 and commenced operations on 26 July 2000. The comparative figures for the condensed income statement and related notes therefore cover the period from 9 February 2000 to 30 June 2000, during which the Company had not yet commenced operations and had not generated any turnover or operating results.

The accounting policies adopted are consistent with those used in the preparation of the Company’s most recent published audited annual financial statements for the period from 9 February 2000 (date of incorporation) to 31 December 2000.

2. TURNOVER, REVENUE AND INCOME

	Six months ended 30 June	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Turnover		
Dividend income from trading securities listed in Hong Kong	42,530	—
Interest on convertible loans receivable	<u>642,260</u>	<u>—</u>
	<u>684,790</u>	<u>—</u>
Other Revenue		
Interest on bank deposits	43,220	—
Other interest income	<u>2,278</u>	<u>—</u>
	<u>45,498</u>	<u>—</u>
Total Revenue	<u><u>730,288</u></u>	<u><u>—</u></u>
Other Net Income		
Net realised gains on disposal of trading securities	1,022,685	—
Net unrealised holding gains on trading securities	334,789	—
Sundry income	<u>2,912</u>	<u>—</u>
	<u><u>1,360,386</u></u>	<u><u>—</u></u>

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

3. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

	Six months ended 30 June	
	2001	2000
	HK\$	HK\$
Total staff costs	952,953	—
Depreciation of owned tangible fixed assets	300,436	—
Depreciation of tangible fixed assets held under a hire-purchase contract	3,983	—
Investment management fee (<i>Note 10</i>)	<u>354,253</u>	<u>—</u>

4. TAXATION

No provision for Hong Kong profits tax has been made as the Company had no assessable profits arising in Hong Kong for the current and the last corresponding period.

No provision for deferred tax has been made as the Company did not have any significant unprovided deferred taxation as at 30 June 2001 and 31 December 2000.

5. INTERIM DIVIDEND

The Board of Directors does not recommend to declare any interim dividend for the six months ended 30 June 2001.

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK\$1,850,270 and on the weighted average number of ordinary shares of 60,000,000 shares in issue during the period.

No diluted loss per share is presented for the period ended 30 June 2001 as the exercise of share options of the Company is anti-dilutive.

7. SHARE CAPITAL

Total value	
30 June	31 December
2001	2000
HK\$	HK\$

Authorised:

200,000,000 ordinary shares of HK\$0.10 each	<u>20,000,000</u>	<u>20,000,000</u>
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Issued and fully paid:

60,000,000 ordinary shares of HK\$0.10 each	<u>6,000,000</u>	<u>6,000,000</u>
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Under the terms of the Company's share option scheme (the "Scheme") approved by the shareholders on 7 July 2000, the Board of Directors (the "Directors") may, at its discretion, invite full-time employees, including Executive Directors of the Company upon a payment of HK\$1.00 to take up options to subscribe for shares of the Company subject to the terms and conditions stipulated therein. The exercise price is to be determined by the Directors at their absolute discretion provided that in no event shall such price be less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option.

The maximum number of shares in respect of which options may be granted under the Scheme when aggregated with any securities subject to any other scheme may not exceed 10% of the shares which have been duly allotted and issued and that the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme.

As at the interim reporting date, the Company had 5,200,000 outstanding share options entitling the holders to subscribe for shares of the Company at the subscription price of HK\$0.8096 at any time during the period from 23 October 2000 to 22 October 2010.

8. RESERVES

	Share premium <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
Balance at 1 January 2001	50,324,617	(4,045,317)	46,279,300
Net loss for the period	<u>—</u>	<u>(1,850,270)</u>	<u>(1,850,270)</u>
Balance at 30 June 2001	<u><u>50,324,617</u></u>	<u><u>(5,895,587)</u></u>	<u><u>44,429,030</u></u>

9. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets as at 30 June 2001 of HK\$50,429,037 (31 December 2000: HK\$52,279,307) and 60,000,000 ordinary shares in issue as at that date (31 December 2000: 60,000,000 shares).

10. RELATED PARTY TRANSACTIONS

The Company had the following material transactions with a related party during the period:

	Six months ended 30 June	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Investment management fee paid to Success Talent Investments Limited	<u><u>354,253</u></u>	<u>—</u>

Success Talent Investments Limited is a company in which Mr. Lee Kwok Leung, director of the Company, has beneficial interests. Monthly investment management fee is calculated at 1.5% per annum of the net asset value of the Company of the preceding month in accordance with the Investment Management Agreement.

11. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 24 September 2001.

By Order of the Board
See Lee Seng, Reason
Chairman

Hong Kong, 24 September 2001