

NOTES TO CONDENSED INTERIM REPORT

1. Basis of preparation

The condensed unaudited interim report (“Interim Report”) are prepared in accordance with the requirements of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Statement of Standard Accounting Practice (“SSAP”) No. 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 income statement and condensed cash flow statement.

2. Accounting Policies

The accounting policies and methods of computation used in the preparation of this Interim Report are consistent with those in the Company’s most recent published audited financial statements for the period from 14 September 2001 (date of incorporation) to 31 December 2001, except the accounting policy stated below:

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investment securities which represent direct investment in unlisted entities and held for strategic purpose, are measured at subsequent reporting dates at cost, less any impairment loss that is other than temporary.

Other investments are measured at fair value with unrealised gains and losses included in net profit or loss for the year.

3. Turnover and revenue

The Company is principally engaged in the investment in listed and unlisted companies in Hong Kong and People’s Republic of China (“PRC”). Turnover represents interest income received and receivable during the period. No geographical analysis is presented as none of the Company’s turnover and contribution to operating profit is attributable to markets outside Hong Kong and PRC.

4. Profit before taxation

**Six months
ended
30 June
2002**
(unaudited)
HK\$

Profit before taxation has been arrived at after charging:

Staff costs including directors' emoluments	694,184
Investment manager fee	875,510
Provision for performance fee to investment manager	<u>2,024,286</u>

5. Taxation

No Hong Kong profits tax has been provided as the Company did not generate any assessable profits during the period.

No provision for deferred tax has been made as there were no significant timing differences at the balance sheet date.

6. Earnings per share

The calculation of earnings per share is based on the net profits for the period of HK\$11,385,552 and the weighted average number of ordinary shares of 70,955,801 shares in issue during the period. No diluted earnings per share is presented as there were no dilutive effects on the basic earnings per share for the period.

7. Investments in securities

	30 June 2002 (unaudited) HK\$	31 December 2001 (audited) HK\$
Non-current		
Investment securities		
Unlisted equity securities	35,160,000	—
Current		
Other investments		
Equity securities listed		
in Hong Kong, at cost	18,887,023	—
Unrealised holding gain	15,394,977	—
Market value at 30 June/31 December	34,282,000	—
Unlisted redeemable preference shares	15,597,000	—
Unlisted convertible bonds maturing within 1 year	18,500,000	—
	68,379,000	—
	103,539,000	—

8. Share capital

	Number of ordinary shares	Amount HK\$
Ordinary shares of HK\$0.10 each		
Authorised:		
At 30 June 2002 and 31 December 2001	<u>2,000,000,000</u>	<u>200,000,000</u>
Issued and fully paid:		
At 14 September 2001 (date of incorporation)	1	1
Issued and fully paid	<u>1,999,999</u>	<u>199,999</u>
At 31 December 2001	2,000,000	200,000
Issued shares paid up	1,000,000	100,000
Placing and new issue	<u>100,000,000</u>	<u>10,000,000</u>
At 30 June 2002	<u>103,000,000</u>	<u>10,300,000</u>

The following movements in share capital were recorded:

- (a) On incorporation, the authorised share capital of the Company was HK\$200,000,000 divided into 2,000,000,000 ordinary shares of HK\$0.10 each, and one subscriber share was issued at HK\$1.00 for cash;
- (b) On 17 September 2001, 2,999,999 ordinary shares of HK\$0.10 each were issued at HK\$1.00 out of which 1,999,999 ordinary shares were fully paid up before the period end. The remaining 1,000,000 ordinary shares were paid up subsequent to the balance sheet date on 11 February 2002; and
- (c) On 28 February 2002, the Company placed 70,000,000 ordinary shares of HK\$0.10 each to professional, institutional and selected investors and issued 30,000,000 ordinary shares of HK\$0.10 each to the public, upon the listing of its shares on the Stock Exchange, at HK\$1.00 per share for a total consideration, before related expenses, of HK\$100,000,000.

9. Reserves

	Share premium HK\$	(Accumulated loss)/retained profits HK\$	Total HK\$
At 14 September 2001 (date of incorporation)	—	—	—
Issue of shares	2,700,000	—	2,700,000
Loss for the period	—	(280,000)	(280,000)
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At 31 December 2001	2,700,000	(280,000)	2,420,000
Premium arising on issue of shares by means of placing and public offer	90,000,000	—	90,000,000
Expenses incurred in connection with the issue of shares	(6,828,364)	—	(6,828,364)
Profit for the period	—	11,385,552	11,385,552
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At 30 June 2002	<u>85,871,636</u>	<u>11,105,552</u>	<u>96,977,188</u>

10. Related party transactions

- (a) For the six months ended 30 June 2002, the Company paid the investment manager fees of approximately HK\$875,510 to AsiaVest Investment Advisory Limited, a company in which a director of the Company, Mr Andrew Nan Sherrill owns 100% beneficial interest. Mr Andrew Nan Sherrill is also an executive director of the said company.
- (b) During the period, the Company paid rental for office premise of HK\$60,000 to Kinvick Limited, a company which is wholly owned by Mr. Chan Yan Ming, Michael, an Executive Director of the Company. In the opinion of the Directors, the rental was charged by reference to the rental of similar properties in the open market.