

**NOTES TO THE CONDENSED INTERIM ACCOUNTS****1. Basis of preparation and accounting policies**

These unaudited consolidated condensed accounts are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

These condensed accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December, 2002 except that the Group has changed certain of its accounting policies following its adoption of SSAP 12 "Income Taxes" issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2003:

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

**Deferred taxation**

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The adoption has had no significant impact on the results for the prior accounting period.

## 2. Turnover, revenue and segment information

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

	<b>Six months ended 30th June,</b>	
	<b>2003</b>	2002
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	HK\$
Turnover		
Interest income from		
– bank deposits	<b>11,448</b>	55,079
– investment securities	<b>294,085</b>	120,812
– others	<b>2,321,863</b>	4,296
Dividend income from		
– listed investments	<b>531,657</b>	197,313
– unlisted investments	<b>1,700,000</b>	625,000
	<b>4,859,053</b>	1,002,500
Other revenues		
Realised loss on sale of		
– other investments	<b>(106,584)</b>	(3,384,717)
– investment securities	–	(313,451)
Other income	<b>1,000,000</b>	–
Loss on disposal of fixed assets	<b>(17,500)</b>	–
	<b>875,916</b>	(3,698,168)
Total revenues	<b>5,734,969</b>	(2,695,668)

No analysis of the Group's turnover and contribution to operating loss for the period set out by principal activities and geographical markets is provided as the Group has only one single business segment, which is investment holding, and less than 10% of the consolidated turnover and less than 10% of the consolidated results of the Group are attributable to markets outside Hong Kong.

### 3. Operating profit/(loss)

Operating profit/(loss) is stated after charging the following:

	<b>Six months ended 30th June,</b>	
	<b>2003</b>	2002
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	HK\$
Management fees	<b>1,035,798</b>	1,262,568
Mandatory provident fund contributions	<b>37,055</b>	47,960
Operating lease in respect of land and buildings	<b>117,600</b>	116,640
Provision for bad and doubtful debts	<b>117,500</b>	650,000

### 4. Finance costs

Amount represents interest on convertible bonds issued by a subsidiary of the Group which will be wholly repayable or converted into shares of a subsidiary on the maturity dates.

### 5. Taxation

Hong Kong profits tax has not been provided as the Group does not have estimated assessable profit for the period. The amount of taxation credited to the consolidated profit and loss account represents reversals of overprovision in prior period.

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$6.2 million at 30th June, 2003 (31st December, 2002: HK\$10.5 million) to carry forward against future taxable income; these tax losses have no expiry date.

### 6. Loss per share

The calculations of basic and fully diluted loss per share are based on the Group's loss attributable to shareholders of HK\$2,049,900 (2002: HK\$13,125,952).

The loss per share is based on the weighted average of 112,734,707 (2002: 47,171,687) ordinary shares in issue during the period which have been adjusted for the rights issue and the 20-for-1 share consolidation which took place on 23rd January, 2003 and 24th January, 2003 respectively in accordance with the requirements of SSAP 5, Earnings per share. The diluted loss per share for the period ended 30th June has not been presented for 2003 and 2002 as the effects arising from the exercise of outstanding warrants in both periods would not result in any dilutive effect.

## 7. Accounts receivable and prepayments

An analysis of accounts receivable and prepayments and the aging analysis for account receivables is as follows:

	<b>30th June, 2003 (Unaudited) HK\$</b>	31st December, 2002 (Audited) HK\$
Accounts receivable	<b>24,457,985</b>	2,382,392
Prepayments	<b>1,180,399</b>	569,016
	<b><u>25,638,384</u></b>	<u>2,951,408</u>

	<b>0 – 30 days HK\$</b>	<b>30 – 60 days HK\$</b>	<b>Over 60 days HK\$</b>	<b>Total HK\$</b>
Balance at 30th June, 2003	<u>22,519,328</u>	<u>1,257,867</u>	<u>680,790</u>	<u>24,457,985</u>
Balance at 31st December, 2002	<u>864,035</u>	<u>201,240</u>	<u>1,317,117</u>	<u>2,382,392</u>

## 8. Creditors and accruals

An analysis of creditors and accruals are payables and the aging analysis for creditors is as follows:

	<b>30th June, 2003 (Unaudited) HK\$</b>	31st December, 2002 (Unaudited) HK\$
Creditors	<b>149,300</b>	109,900
Accrued expenses	<b>381,926</b>	679,918
	<b><u>531,226</u></b>	<u>789,818</u>

	<b>0 – 30 days HK\$</b>	<b>30 – 60 days HK\$</b>	<b>Over 60 days HK\$</b>	<b>Total HK\$</b>
Balance at 30th June, 2003	<u>45,500</u>	<u>–</u>	<u>103,800</u>	<u>149,300</u>
Balance at 31st December, 2002	<u>109,900</u>	<u>–</u>	<u>–</u>	<u>109,900</u>

## 9. Share capital

	<b>Authorised ordinary shares of HK\$0.01 each</b>	
	<i>No. of shares</i>	<i>HK\$</i>
At 1st January, 2002 and 2003, before share consolidation ( <i>Note (c)</i> )	<u>10,000,000,000</u>	<u>100,000,000</u>
	<b>Authorised ordinary shares of HK\$0.2 each</b>	
	<i>No. of shares</i>	<i>HK\$</i>
At 30th June, 2003, after share consolidation ( <i>Note (c)</i> )	<u>500,000,000</u>	<u>100,000,000</u>
	<b>Issued and fully paid ordinary shares of HK\$0.01 each</b>	
	<i>No. of shares</i>	<i>HK\$</i>
At 1st January, 2002	973,226,010	9,732,259
Exercise of warrants ( <i>Note (a)</i> )	<u>1,162,215</u>	<u>11,623</u>
At 31st December, 2002 and 1st January, 2003	974,388,225	9,743,882
Issue of shares due to rights issue ( <i>Note (b)</i> )	<u>1,461,582,337</u>	<u>14,615,824</u>
At 30th June, 2003, before share consolidation ( <i>Note (c)</i> )	<u>2,435,970,562</u>	<u>24,359,706</u>
	<b>Issued and fully paid ordinary shares of HK\$0.2 each</b>	
	<i>No. of shares</i>	<i>HK\$</i>
At 30th June, 2003, after share consolidation ( <i>Note (c)</i> )	<u>121,798,528</u>	<u>24,359,706</u>

## 9. Share capital (Continued)

Notes:

### (a) Warrants

During the year ended 31st December, 2002, 1,568 warrants were exercised and 1,568 ordinary shares of HK\$0.01 each were issued at a cash consideration of HK\$0.39 per ordinary share. In addition, 1,160,647 warrants were exercised and 1,160,647 ordinary shares of HK\$0.01 each were issued at a cash consideration of HK\$0.08 per ordinary share. These new shares ranked *pari passu* with the existing shares of the Company.

Subsequent to the rights issue and share consolidation took place during the six months ended 30th June, 2003, the Company had 15,478,789 warrants outstanding as at 30th June, 2003 which entitle the holders to subscribe for shares in the Company at a subscription price of HK\$1 per share during the period from 21st June, 2002 to 30th June, 2004. If the warrants are fully exercised, the Company will be required to issue a further 15,478,789 shares.

### (b) Rights issue

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 19th December, 2002, a rights issue scheme which offered three rights shares for every two existing shares to the existing shareholders was approved and adopted. New shares of 1,461,582,337 of HK\$0.01 each were issued at HK\$0.02 per share for cash on 23rd January, 2003 under the rights issue scheme. These shares rank *pari passu* to the existing shares. The funds raised by the Company net of share issuance expenses amounted to HK\$27,945,994 which was used as the Group's working capital and for investment purposes.

### (c) Share consolidation

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 23rd January, 2003, 20 shares of the Company of HK\$0.01 each were consolidated into 1 new share of the Company of HK\$0.2 each.

The total number of ordinary shares in issue as at 30th June, 2003 after the abovementioned rights issue and the share consolidation was 121,798,528 shares.

**10. Convertible bonds**

	<b>30th June, 2003 (Unaudited) HK\$</b>	31st December, 2002 (Audited) HK\$
Convertible bonds		
Due for repayment	<b>10,000,000</b>	–
Repayable within one year	<b>39,900,000</b>	30,000,000
Repayable in the second year	–	19,900,000
	<b>49,900,000</b>	49,900,000

As at 30th June, 2003, the maturity dates for four convertible bonds with total principal amount of HK\$39.9 million have been extended to 8th March, 2004. The remaining convertible bond of HK\$10 million was due for repayment on 8th March, 2003 but it has not been repaid as of the date of this report. The Group is now negotiating with the bondholder to agree on the repayment schedule for the convertible bond.

**11. Acquisition**

- (a) On 15th May, 2003, the Group acquired 100% of the share capital of Incubation which engages in operating an incubation centre and is incorporated in Hong Kong. The consideration of HK\$2 was settled in cash. The fair value of the net identifiable liabilities of the company assumed at the date of acquisition was HK\$82,010. The resulting goodwill of HK\$82,012 will be amortised on a straight-line basis over 5 years. The acquired business has not contributed any revenues nor operating profit to the Group for the period from 15th May, 2003 to 30th June, 2003.

The assets and liabilities arising from the acquisition are as follows:

	HK\$
Borrowings	(875,148)
Fixed assets	418,133
Deposits	175,873
Receivables	199,132
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Fair value of net liabilities assumed	(82,010)
Goodwill	82,012
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Total purchase consideration	2
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## 12. Related party transactions

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

	<b>Six months ended 30th June, 2003 (Unaudited) HK\$</b>	<b>2002 (Unaudited) HK\$</b>
Management fees		
– Harmony Asset Management Limited (Note)	<b>1,035,798</b>	1,262,568

Note: The Company has entered into an investment management agreement with Harmony Asset Management Limited ("HAML"), a company which is wholly owned by Dr. Chow Pok Yu, Augustine. Under the agreement, HAML has agreed to assist the board of directors with the day-to-day management of the Group until 5th April 2006. In accordance with the investment management agreement, HAML is entitled to a monthly fee calculated at 1.5% per annum on the net asset value of the Company of the preceding month and an incentive fee at 10% of the surplus in the net asset value over a financial year. Dr. Chow Pok Yu, Augustine, being a beneficial shareholder, was interested in these contracts.

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## 13. Commitments

At 30th June, 2003, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

### (a) Commitments under operating lease

	<b>30th June, 2003 (Unaudited) HK\$</b>	<b>31st December, 2002 (Audited) HK\$</b>
Land and buildings		
Within one year	<b>235,200</b>	235,200
In the second to fifth years inclusive	–	117,600
	<b>235,200</b>	352,800

### (b) Commitments under subscription agreements for investment securities

At 30th June, 2003, the Group had no outstanding commitments for investment purposes.