



AsiaTele
Media

 Interim Report 2004

Asia TeleMedia Limited

(Incorporated in Hong Kong with limited liability)



DIRECTORS

Executive:

LU Ruifeng (*Chairman and Chief Executive Officer*)

LI Jian Guo

SO Wai Yin, Irene

Independent Non-Executive:

LU Ning

LI Chun

REGISTERED OFFICE

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SHARE REGISTRAR

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STOCK CODE

376

The Board of Directors (the “Directors”) of Asia TeleMedia Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2004.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 June	
		2004	2003
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
	Notes		
Turnover	5	3,226	1,948
Other operating income		722	605
Allowance for doubtful loans and bad debts		(166)	–
Depreciation of property, plant and equipment		(517)	(1,203)
Amortisation of intangible assets		(136)	(136)
Staff costs		(4,344)	(6,629)
Other operating expenses	6	(5,588)	(15,008)
Loss from operations		(6,803)	(20,423)
Finance costs		(18)	(2,389)
Share of profits of associates		53	38
Loss on disposal of subsidiaries (discontinued operations)		–	(3,692)
Loss before taxation		(6,768)	(26,466)
Taxation	7	–	–
Loss for the period		(6,768)	(26,466)
Loss per share	9		
Basic and diluted		(0.50) cents	(2.16) cents



CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2004 HK\$'000 (unaudited)	31 December 2003 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		902	1,419
Interest in associates		1,164	1,111
Intangible assets		1,493	1,628
Investment securities		115	50
Statutory and other deposits		2,835	2,911
Other asset		500	500
		7,009	7,619
Current assets			
Accounts receivable	10	37,970	19,477
Deposits and prepayments		1,218	2,897
Amount due from a shareholder		–	29,839
Bank balances (general accounts) and cash		4,551	4,431
Bank balances – trust and segregated accounts		43,281	54,695
		87,020	111,339
Current liabilities			
Accounts payable	11	48,863	70,981
Other payables and accrued charges		11,124	9,543
Loans payable	12	10,500	11,000
Amount due to an associate		550	541
Amount due to directors		5,924	2,600
Bank overdrafts (unsecured)		1	458
		76,962	95,123
Net current assets		10,058	16,216
Non-current liabilities			
Loans payable	12	45,472	45,472
Net liabilities		(28,405)	(21,637)
Capital and reserves			
Share capital	13	269,305	269,305
Reserves	14	(297,710)	(290,942)
		(28,405)	(21,637)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total equity	
	2004	2003
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
As at 1 January	(21,637)	(35,577)
Loss for the six months' period	(6,768)	(26,466)
As at 30 June	(28,405)	(62,043)



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)
Net cash from (used in) operating activities	1,010	(13,971)
Net cash from investing activities	84	21,381
Net cash used in financing activities	(974)	(21,769)
Net increase (decrease) in cash and cash equivalents	120	(14,359)
Cash and cash equivalents at 1 January	4,431	20,462
Cash and cash equivalents at 30 June	4,551	6,103
Analysis of the balances of cash and cash equivalents		
Bank balances (general accounts) and cash	4,551	6,103



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004

1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is China United Telecom Limited ("China United"), a company incorporated in the British Virgin Islands with limited liability.

The nature of operations of the Group and its principal activities have not changed during the period and consist of securities broking, fund management, underwriting, share margin financing and investment holdings.

2. Basis of Preparation

- (a) The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice 25 "Interim Financial Reporting".
- (b) In preparing the condensed financial statements, the Directors have given consideration to the liquidity position of the Group in light of its net liabilities of HK\$28,405,000. The Directors are taking active steps to improve the liquidity position of the Group. Subsequent to the balance sheet date, China United exercised its option to subscribe for 111,000,000 shares at a subscription price of HK\$0.20 per share. Aggregate cash consideration of HK\$22,000,000 was raised. The Directors are satisfied that the Group will be able to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of intangible assets.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2003.



4. Business and Geographical Segments

For management purposes, the Group is currently organised into two main operating segments, namely financial services and investment holdings. Financial services comprises securities broking, fund management, underwriting and share margin financing services.

Both financial services and investment holdings are based in Hong Kong. The business segments are shown as follows:

Income statement for the six months ended 30 June 2004

	Hong Kong		Consolidated HK\$'000
	Financial services HK\$'000	Investment holdings HK\$'000	
TURNOVER			
External sales	3,226	–	3,226
Inter-segment sales	–	–	–
Total turnover	3,226	–	3,226
RESULT			
Segment loss	(1,166)	(6,359)	(7,525)
Other operating income			722
Loss from operations			(6,803)
Finance costs			(18)
Share of profits of associates			53
Loss before taxation			(6,768)
Taxation			–
Loss for the period			(6,768)



Income statement for the six months ended 30 June 2003

	Hong Kong		Eliminations HK\$'000	Consolidated HK\$'000
	Financial services HK\$'000	Investment holdings HK\$'000		
TURNOVER				
External sales	1,948	–	–	1,948
Inter-segment sales	581	316	(897)	–
Total turnover	<u>2,529</u>	<u>316</u>	<u>(897)</u>	<u>1,948</u>
RESULT				
Segment profit (loss)	<u>458</u>	<u>(21,486)</u>	<u>–</u>	<u>(21,028)</u>
Other operating income				<u>605</u>
Loss from operations				(20,423)
Finance costs				(2,389)
Share of profits of associates				38
Loss on disposal of subsidiaries				<u>(3,692)</u>
Loss before taxation				(26,466)
Taxation				<u>–</u>
Loss for the period				<u>(26,466)</u>



5. Turnover

	Six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
Brokerage and commission income	2,477	1,352
Interest income	445	400
Management fees income	304	196
	3,226	1,948

6. Other Operating Expenses

	Six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
Included in other operating expenses are:		
Compensation for termination of a consultancy agreement	–	6,355
Rentals in respect of office premises	1,834	1,673

7. Taxation

No provision for Hong Kong Profits Tax has been made for both periods as the Group had no assessable profits arising in Hong Kong for each of two periods ended 30 June 2004 and 2003.

As at 30 June 2004, the Group has estimated unused tax losses of HK\$249 million (2003: HK\$242 million) available to offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.



8. Dividends

As at 30 June 2004, the Company did not have any reserves available for cash distribution. However, the Company’s share premium account may be distributed in the form of fully-paid bonus shares. The Directors do not recommend the payment of an interim dividend (2003: Nil).

9. Loss Per Share

The calculation of basic loss per share is based on the loss for the period of approximately HK\$6,768,000 (2003: HK\$26,466,000) and 1,346,527,296 (2003: 1,226,369,481) shares in issue during the period.

The computation of diluted loss per share does not assume the exercise of the Company’s options because their exercise would reduce loss per share.

10. Accounts Receivable

The aged analysis of accounts receivable is as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Less than one month	36,981	17,626
Over one month but less than three months	129	584
Over three months	860	1,267
	37,970	19,477

The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities are two days after trade date.



11. Accounts Payable

The age of accounts payable is less than one month.

12. Loans Payable

The maturity profile of loans payable is as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Less than one year	10,500	11,000
Over one year but less than two years	45,472	45,472
	55,972	56,472

Loans payable are unsecured and bear interest at 7% per annum.

13. Share Capital

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Ordinary shares of HK\$0.20 each		
Authorised: 2,000,000,000 shares	400,000	400,000
Issued and fully paid: 1,346,527,296 shares	269,305	269,305



14. Reserves

	Share premium account HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2003	758	2,650	2,364	(286,623)	(280,851)
Elimination of translation reserve on disposal of subsidiaries	-	-	(2,364)	2,364	-
Loss for the period	-	-	-	(26,466)	(26,466)
As at 30 June 2003 and 1 July 2003	758	2,650	-	(310,725)	(307,317)
Loss for the period	-	-	-	(13,664)	(13,664)
Shares issued at premium	30,039	-	-	-	30,039
As at 31 December 2003	30,797	2,650	-	(324,389)	(290,942)
Loss for the period	-	-	-	(6,768)	(6,768)
As at 30 June 2004	30,797	2,650	-	(331,157)	(297,710)

15. Contingent Liabilities

A subsidiary of the Company has provided a letter of indemnity to a bank in respect of the bank guarantee of HK\$240,000 (2003: HK\$240,000) given to the Hong Kong Securities Clearing Company Limited in lieu of cash contribution to the CCASS Guarantee Fund.



16. Related Party Transactions

The following summarises the significant related party transactions.

- (a) The Group has granted the following related-party loans on 20 October 1998 to enable the borrowers to reduce the outstanding balances in their margin accounts. These loans are approved by shareholders in the extraordinary general meeting held on 23 July 1999 as required by the Listing Rules.

Borrower:	Dynamic Assets Limited and Pharmatech Management Limited	Noblesse Ventures Inc.
Relationship:	Companies controlled by Mr. So Shu Ching, Jason, brother of a director, Ms. So Wai Yin, Irene	Company controlled by Ms. So Wai Kwan, Sheila, sister of a director, Ms. So Wai Yin, Irene
Lender:	A wholly owned subsidiary, Mansion House Capital Limited	A wholly owned subsidiary, Mansion House Capital Limited
Terms of the loan:		
– interest rate	Prime rate plus 1%	Prime rate plus 1%
– security	Partially secured by marketable securities and unlisted shares	Partially secured by marketable securities and unlisted shares
– repayment terms	By 14 equal instalments payable semi-annually with the last instalment due in May 2006	By 14 equal instalments payable semi-annually with the last instalment due in May 2006
Balance at 30 June 2004 (unaudited)	HK\$73,769,288	HK\$7,074,379
Balance at 31 December 2003 (audited)	HK\$73,769,288	HK\$7,074,379
Provision at 30 June 2004	HK\$73,769,288	HK\$7,074,379



These loans were rescheduled in 1999 with the last instalment due in May 2006. However, the loans have been in default since 2000 and a total provision of HK\$80,843,667 (2003: HK\$80,843,667) has been made.

(b) The Group has also provided margin financing to the following related parties:

Borrower:	Dynamic Assets Limited and Pharmatech Management Limited	Noblesse Ventures Inc.
Relationship:	Companies controlled by Mr. So Shu Ching, Jason, brother of a director, Ms. So Wai Yin, Irene	Company controlled by Ms. So Wai Kwan, Sheila, sister of a director, Ms. So Wai Yin, Irene
Lender:	A wholly owned subsidiary, Mansion House Securities (F.E.) Limited	A wholly owned subsidiary, Mansion House Securities (F.E.) Limited
Terms of the loan:		
– interest rate	Prime rate plus 1%	Prime rate plus 1%
– security	Marketable securities	Marketable securities
Balance at 30 June 2004 (unaudited)	HK\$8,795,445	HK\$8,735,667
Balance at 31 December 2003 (audited)	HK\$8,795,445	HK\$8,735,667
Provision at 30 June 2004	HK\$8,795,445	HK\$8,253,017

The loans are in default and a total provision of HK\$17,048,462 (2003: HK\$17,028,762) has been made.



17. Post Balance Sheet Events

- a. On 6 August 2004, China United Telecom Limited exercised its option granted by the Company on 6 August 2002 and subscribed for 111,000,000 new shares.
- b. At the Extraordinary General Meeting held on 12 August 2004, the resolution to approve the Major and Connected Transaction in relation to the acquisition of the Properties through the acquisition of the Sale Shares as set out in the Company's circular dated 16 July 2004 was not passed.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results

The Group recorded an unaudited loss attributable to shareholders of approximately HK\$6,768,000 for the six months ended 30 June 2004 compared with a loss attributable to shareholders of approximately HK\$26,466,000 for the corresponding period in 2003.

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2004, the Group had cash and cash equivalents of approximately HK\$4,551,000 (31 December 2003: HK\$4,431,000). The amount of bank overdrafts as at 30 June 2004 is approximately HK\$1,000 (31 December 2003: HK\$458,000).

The Group's gearing ratio is 1.30 as at 30 June 2004 as compared with 1.18 as at 31 December 2003. The gearing ratio is calculated by dividing total liabilities by total assets.

Treasury Policies

The business activities of the Group are mainly funded by non-bank borrowings and cash generated from operating activities. The Group's non-bank borrowings are denominated in Hong Kong dollars and subject to fixed interest rate.

Foreign currency risk should not be significant to the Group since substantial assets and liabilities are either denominated in Hong Kong dollars or Renminbi which were quite stable during the period. No financial instruments have been employed for hedging purposes by the Group.



The Group is not exposed to significant capital market risk as the Group does not have material equity investments.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

There was no material acquisition or disposal of subsidiaries and associated companies by the Group during the period.

Employees

As at 30 June 2004, the Group employed 26 (31 December 2003: 32) staff in Hong Kong. Remuneration is reviewed annually and a discretionary bonus will be declared based on the performance of the staff. Also, the 2002 share option scheme adopted by the Company in June 2002 (the "2002 Share Option Scheme") is in operation.

Contingent Liabilities

A subsidiary of the Company has provided a letter of indemnity to a bank in respect of the bank guarantee of HK\$240,000 (31 December 2003: HK\$240,000) given to the Hong Kong Securities Clearing Company Limited in lieu of cash contribution to the CCASS Guarantee Fund.

REVIEW OF OPERATION

Turnover for the six months ended 30 June 2004 recorded a 65.6% rise over the turnover for the corresponding six months period last year. The loss per share for the six months ended 30 June 2004 was further improved from 2.16 cents for the corresponding six months period last year to 0.50 cents for the current period. The improvements in financial results were mainly due to economy resilience, revival of investor confidence and stringent cost control measures undertaken by the management.



LOOKING FORWARD

Although the proposed acquisition of the Properties as set out in the Company's circular dated 16 July 2004 was not approved by the Independent Shareholders at the Extraordinary General Meeting held on 12 August 2004, the management considers that there will be no material adverse effect on the future plan of the Group. It is the intention that the Group will diversify and invest into the telecommunication and media sectors in the PRC. On 2 August 2004, the name of the Company has been changed from "Mansion House Group Limited 萬勝集團有限公司" to "Asia TeleMedia Limited 亞洲電信媒體有限公司".

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 30 June 2004, the interests of each director of the Company in the shares and share options of the Company, as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"), were as follows:

Long positions

(a) *Ordinary shares of HK\$0.2 each of the Company (the "Shares")*

Name of director	Capacity	Number of Shares held	% of the issued share capital
Mr. LU Ruifeng	Interest of controlled corporation (Note 1)	619,500,000	49.50%
	Beneficial owner	1,389,808	0.11%
Ms. SO Wai Yin, Irene	Beneficial owner	11,899,973	0.95%



(b) *Share options*

Name of Director	Maximum number of Shares over which options are exercisable	Exercise price HK\$	Exercise period
Mr. LU Ruifeng (Note 2)	123,000,000	0.20	06/08/2002 to 06/08/2004
Ms. SO Wai Yin, Irene	1,000,000	0.49	13/07/1999 to 12/07/2004
	1,000,000	0.49	13/07/2001 to 12/07/2004

Notes:

1. These shares are beneficially owned by China United, 35% of the entire issued share capital of which is held by Apex Equity Limited, a company beneficially owned by Mr. Lu Ruifeng. By virtue of the SFO, Mr. Lu Ruifeng is deemed to be interested in all these shares held by China United.
2. Under the SFO, Mr. LU Ruifeng is deemed to be interested in 123,000,000 outstanding options held by China United due to his 35% indirect shareholding interest in China United. Pursuant to an option agreement dated 6 August 2002 entered into between the Company and China United, the Company granted an option to China United to subscribe for an aggregate of 150,000,000 Shares at a subscription price of HK\$0.20 per Share and such option is exercisable within a period of two years from the date of such option agreement. On 7 October 2002, China United exercised its option in part and subscribed for 27,000,000 Shares. As at 30 June 2004, options to subscribe for 123,000,000 Shares remained outstanding.



Save as disclosed above, as at 30 June 2004, none of the directors and chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEME AND SHARE OPTIONS

Upon the adoption of the 2002 Share Option Scheme in June 2002, the operation of the share option scheme adopted in February 1998 (the "1998 Share Option Scheme") was terminated such that no further options can thereafter be granted under the 1998 Share Option Scheme but in all other respects, the provisions of the 1998 Share Option Scheme remain in full force and effect.

In addition, on 6 August 2002, the Company granted options to the substantial shareholders, China United and Mr. Evans Carrera LOWE to subscribe for 150,000,000 and 50,000,000 Shares respectively at a subscription price of HK\$0.20 per Share and such options are exercisable within a period of 2 years from the date of grant. On 7 October 2002, China United exercised its option in part and subscribed for 27,000,000 Shares. As at 30 June 2004, 173,000,000 Shares remain to be issued pursuant to such option agreements.

The following table discloses details of the Company's share options held by the employees (comprising senior management and Directors) of the Group and movements in such holdings during the period:

Name of Scheme	Date of grant	Exercise period	Exercise price HK\$	Outstanding	Lapsed	Outstanding
				as at 1.1.2004	during the period	as at 30.06.2004
1998 Share Option Scheme	13.1.1999	13.7.1999 – 12.7.2004	0.49	1,000,000	–	1,000,000
	13.1.1999	13.7.2001 – 12.7.2004	0.49	1,000,000	–	1,000,000
	11.1.1999	11.7.2001 – 10.7.2004	0.49	350,000	(20,000)	330,000
	1.3.2001	1.9.2001 – 31.8.2006	0.38	900,000	–	900,000
				<u>3,250,000</u>	<u>(20,000)</u>	<u>3,230,000</u>

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, the interests of substantial shareholders of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholder	Number of Shares (long position)	Nature of interest	Approximate percentage of interest
China United (Note 1)	619,500,000	Beneficial owner	46.01%
Apex Equity Limited (Notes 2 and 3)	619,500,000	Interest of controlled corporation	46.01%
Mr. LU Ruifeng (Note 4)	619,500,000	Interest of controlled corporation	46.01%
	1,389,808	Beneficial owner	0.10%



Name of shareholder	Number of Shares (long position)	Nature of interest	Approximate percentage of interest
High Reach Assets Limited (Note 5)	197,500,000	Beneficial owner	14.66%
Mr. Evans Carrera LOWE (Notes 6 and 7)	260,390,387	Interest of controlled corporations	19.33%
	35,320,804	Beneficial owner	2.62%

Notes :

1. The Company entered into an option agreement with China United on 6 August 2002 pursuant to which the Company granted an option to China United to subscribe for an aggregate of 150,000,000 Shares at a subscription price of HK\$0.20 per Share and such option is exercisable within a period of 2 years from the date of such option agreement. As at 30 June 2004, options to subscribe for 123,000,000 Shares remained outstanding and China United is interested in the 123,000,000 outstanding options under the SFO.
2. As at 30 June 2004, Apex Equity Limited beneficially owned 35% of the issued share capital of China United, and was therefore deemed, by virtue of the SFO, to be interested in the 619,500,000 Shares and the 123,000,000 outstanding options mentioned in note 1 above held by China United.
3. The entire issued share capital of Apex Equity Limited was beneficially owned by Mr. LU Ruifeng.
4. Mr. LU Ruifeng's interests in these Shares comprised 1,389,808 Shares registered under his name and 619,500,000 Shares held through his controlled corporation, Apex Equity Limited which owned 35% of the entire issued share capital of China United. Mr. LU Ruifeng was deemed, by virtue of the SFO, to be interested in 620,889,808 Shares in aggregate and the 123,000,000 outstanding options mentioned in note 1 above held by China United.
5. The entire issued share capital of High Reach Assets Limited is beneficially owned by Mr. Evans Carrera LOWE.



6. Mr. Evans Carrera LOWE's interests in these Shares comprise 35,320,804 Shares registered under his name and 260,390,387 Shares held through his controlled corporations, as to 197,500,000 Shares held through High Reach Assets Limited, 44,227,947 Shares held through Global Source Company Limited, 11,434,800 Shares held through Supreme Grass Limited and 7,227,640 Shares held through Lowe Holdings Company Limited, Inc. Mr. Evans Carrera LOWE is deemed, by virtue of the SFO, to be interested in 295,711,191 Shares in aggregate, amounting to approximately 21.95% of the entire issued Shares of the Company.
7. The Company entered into an option agreement with Mr. Evans Carrera LOWE on 6 August 2002 pursuant to which the Company granted an option to Mr. Evans Carrera LOWE to subscribe for an aggregate of 50,000,000 Shares at a subscription price of HK\$0.20 per Share and such option is exercisable within a period of 2 years from the date of such option agreement. As at 30 June 2004, none of the options granted to Mr. Evans Carrera LOWE under the said option agreement have been exercised and Mr. Evans Carrera LOWE is interested in the 50,000,000 outstanding options under the SFO.

Save as disclosed above, as at 30 June 2004, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company required to be recorded in the register kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the six months ended 30 June 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities other than as an agent for clients of its subsidiaries.

AUDIT COMMITTEE

The Audit Committee met in September 2004 to review the system of internal control and its compliance, and the results of the Group for the six months ended 30 June 2004.



CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

ADVANCES TO ENTITIES

As at 30 June 2004, the amounts due from Dynamic Assets Limited ("DAL"), Pharmatech Management Limited ("PML") and Noblesse Ventures Inc. ("NVI") before and after provision are summarised below.

	DAL	PML	NVI
	before (after)	before (after)	before (after)
	provision	provision	provision
	HK\$	HK\$	HK\$
Margin loans (Note 1)	5,695,814 (Nil)	3,099,631 (Nil)	8,735,667 (482,650)
Other loans (Note 2)	45,491,023 (Nil)	28,278,265 (Nil)	7,074,379 (Nil)
Total loans	51,186,837 (Nil)	31,377,896 (Nil)	15,327,396 (482,650)

Notes:

- The amounts due result from share margin loans. A total provision of HK\$17,048,462 (2003: HK\$17,028,762) has been made. Please refer to note 16 to the condensed financial statements for further details in relation to these loans.



2. These loans were approved by shareholders of the Company in an extraordinary general meeting held on 23 July 1999. A total provision of HK\$80,843,667 (2003: HK\$80,843,667) has been made. Please refer to note 16 to the condensed financial statements for further details in relation to these loans.

3. Due to a consolidated deficiency in tangible assets of HK\$29.8 million as recorded at the balance sheet date, it is not practicable to express the amount of the above advances to each entity as a percentage of the consolidated net tangible assets value of the Group.

By order of the Board

LU Ruifeng

Chairman

Hong Kong, 23 September 2004