NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of presentation

The interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2004 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2005 annual financial statements. Details of these changes in accounting policies are set out in Note 2 below.

2. Changes in accounting policies

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretations, that are effective or available for early adoption for accounting periods beginning on or after 1st January, 2005. The board of directors has determined the accounting policies expected to be adopted in the preparation of the Group's annual financial statements for the year ending 31st December, 2005, on the basis of HKFRSs currently in issue.

HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31st December, 2005 may be affected by the issue of additional interpretations or other changes announced by HKICPA subsequent to the date of issuance of these interim financial statements. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of the interim financial statements.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1st January, 2005 which have been reflected in the interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. Changes in accounting policies (continued)

(a) Amortisation of positive goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)

In prior years, positive goodwill which arose on or after 1st January, 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment.

With effect from 1st January, 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1st January, 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the profit and loss account for the six months ended 30th June, 2005. This has decreased the Group's loss after taxation for the six months ended 30th June, 2005 by HK$8,201.

(b) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

– In prior years, investment in convertible bonds, unlisted equity investments and loans to investee companies being held for long-term strategic purposes were classified as investment securities and stated at cost less any provision for impairment losses.

  With effect from 1st January, 2005, and in accordance with HKAS 32 and 39,

  (i) Investment in a convertible bond comprises a non-derivative host contract and an embedded derivative i.e. the equity conversion option. An embedded derivative whose economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract and which meet the definition of a derivative, is separated from the host contract and accounted for as a derivative. A non-derivative host contract is accounted for under HKAS 39 or other accounting standards, if applicable. If the fair value of the embedded derivative cannot be reliably measured on the basis of its terms and conditions, the entire combined contract is treated as a financial asset and is held for trading.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. Changes in accounting policies (continued)

(b) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement) **(continued)**

The change in policies results in reclassification of the Group's investment in convertible bonds as financial assets at fair value through profit or loss since the fair values of the embedded derivatives cannot be measured reliably. As the difference between the carrying values of the entire convertible bonds and their corresponding fair values at 1st January, 2005 is not material, no adjustment on the opening balance of retained earnings is considered. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

(ii) Unlisted equity investments are classified as available-for-sale financial assets and carried at fair value, except that if investments in equity instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured, the investments are measured at cost less any provision for impairment losses.

The change in policies is adopted by way of an adjustment in decreasing the opening balance of retained earnings as at 1st January, 2005 by HK$7,023,074. Comparative amounts have not been restated nor has the opening balance of the fair value reserve been restated as this is prohibited by the transitional arrangements in HKAS 39.

(iii) Loans to investee companies are classified as loans and receivables and measured at amortised cost using the effective interest method.

The change in policies has no effect on the interim financial statements as the difference between the carrying values of loans to investee companies and their corresponding amortised costs is not material. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

– In prior years, investment in club debentures and deposits for investments were classified as other assets and stated at cost less any provision for impairment losses. With effect from 1st January, 2005 and in accordance with HKAS 32 and 39, such assets are classified as available-for-sale financial assets and carried at fair value.

The change in policies has no effect on the interim financial statements as the difference between the carrying values of such assets and their corresponding fair values is not material. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. Changes in accounting policies (continued)

(b) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement) (continued)

– In prior years, convertible bond issued by a subsidiary of the Company was classified as current liabilities and stated at cost. With effect from 1st January, 2005 and in accordance with HKAS 32 and 39, convertible bond issued is split into its liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the capital reserve until the bond is either converted (in which case it is transferred to share premium) or the bond is redeemed (in which case it is released directly to retained earnings).

The change in policies does not have material impact on the interim financial statements as the fair value of equity component of the convertible bond is not material. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. Turnover, other revenues 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:

	Six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Turnover:		
Interest income from		
– bank deposits	**96,713**	753
– convertible bonds	**–**	298,361
– loan receivables	**790,723**	2,296,358
Dividend income from		
– listed investments	**129,176**	558,548
– unlisted investments	**300,000**	750,000
	1,316,612	3,904,020
Other revenues:		
Realised loss on sale of		
– other investments	**–**	(114,960)
– investment securities	**–**	(1,115,000)
Realised gain on sale of financial assets at fair value through profit or loss	**2,740,483**	–
Sundry income	**1,097,675**	971,812
	3,838,158	(258,148)
Total revenues	**5,154,770**	3,645,872

No analysis of the Group's turnover and contribution to operating (loss) profit 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. Operating (loss) profit

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

	Six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Management fees *(Note 13)*	**1,137,480**	1,099,863
Mandatory provident fund contributions	**37,365**	37,278
Operating lease in respect of land and buildings	**603,710**	98,000
Provision for bad and doubtful debts	**1,744,208**	23,248

5. Finance costs

Amount represents interest on bank overdraft, interest on interest-bearing borrowings and interest on convertible bonds issued by a subsidiary of the Company.

6. Income tax

Hong Kong profits tax has not been provided as the Group has no assessable profit during the period.

7. Dividend

The directors of the Company do not recommend any payment of interim dividend for the six months ended 30th June, 2005 (2004: Nil).

8. Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK$4,198,208 (2004: HK$3,061,613) and on the weighted average of 136,301,821 (2004: 121,798,801) ordinary shares in issue during the period.

No diluted loss per share amount has been presented as the Company did not have any dilutive potential ordinary shares during the period.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

9. Accounts receivable and prepayments

	As at 30th June, 2005 (Unaudited) HK$	As at 31st December, 2004 (Audited) HK$
Accounts receivable	9,192,500	9,657,500
Loan receivables:		
– secured	13,700,000	13,700,000
– unsecured	–	2,036,150
Interest receivable	396,598	334,490
Other receivables and prepayments	509,919	624,352
	23,799,017	26,352,492

Both secured and unsecured loan receivables are interest-bearing.

The aging analysis of the accounts receivable and prepayments were as follows:

	0 – 30 days HK$	31 – 60 days HK$	61-90 days HK$	Over 90 days HK$	Total HK$
Balance at 30th June, 2005	**323,616**	**17,977**	**17,360**	**23,440,064**	**23,799,017**
Balance at 31st December, 2004	2,058,829	10,718	15,839	24,267,106	26,352,492

10. Creditors and accruals

	As at 30th June, 2005 (Unaudited) HK$	As at 31st December, 2004 (Audited) HK$
Accruals	341,971	2,115,625

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. Creditors and accruals (continued)

The aging analysis of the creditors and accruals were as follows:

	0 – 30 days	31 – 60 days	61-90 days	Over 90 days	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Balance at 30th June, 2005	**40,000**	**–**	**–**	**301,971**	**341,971**
Balance at 31st December, 2004	1,220,098	–	–	895,527	2,115,625

11. Interest-bearing borrowings

	As at 30th June, 2005 (Unaudited)	As at 31st December, 2004 (Audited)
	HK$	*HK$*
Repayable within one year:		
– loan converted from convertible bond *(Note a)*	**2,500,000**	–
– instalment loan *(Note b)*	**5,000,000**	10,000,000
	7,500,000	10,000,000

Notes:

(a) During the period, under a deed of agreement entered into between a subsidiary of the Company and a bondholder, a convertible bond of remaining balance of HK$2,500,000 has been converted as unsecured loan advanced to the subsidiary at a fixed interest rate of 6% per annum and repayable on or before 31st December, 2005.

(b) The loan is unsecured and interest-bearing at 5% per annum.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. Share capital

	Number of shares	Amount
		HK$
Ordinary shares of HK$0.2 each		
Authorised:		
At 1st January, 2004 and 2005 and 30th June, 2005	500,000,000	100,000,000

	Number of shares	Amount
		HK$
Issued and fully paid:		
At 1st January, 2004	121,798,528	24,359,706
Exercise of warrants *(Note a)*	3,846	769
At 31st December, 2004	121,802,374	24,360,475
Issue of shares *(Note b)*	24,300,000	4,860,000
At 30th June, 2005	**146,102,374**	**29,220,475**

Notes:

(a) *Warrants*

Prior to the expiration of the 2004 warrants on 30th June, 2004, 3,846 of the 2004 warrants were exercised and 3,846 ordinary shares of HK$0.2 each were issued at a cash consideration of HK$1 per ordinary share. These new shares ranked pari passu with the existing shares of the Company.

(b) *Share placement*

Pursuant to a placing agreement with a placing agent dated 1st March, 2005, the Company agreed to place through the placing agent an aggregate of 24,300,000 placing shares, on a fully underwritten basis, to not fewer than six placees, at a price of HK$0.35 per share. On 15th March, 2005, such placing shares were issued and fully paid.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

13. Management contracts

	Six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Management fees:		
– Harmony Asset Management Limited ("HAML")	**1,137,480**	1,099,863

The Company has entered into an investment management agreement with 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, being a beneficial shareholder, was interested in these contracts.

14. Operating lease commitments

As at 30th June, 2005, the Group had total future aggregate minimum lease payments under a non-cancellable operating lease as follows:

Commitments under operating lease

	As at 30th June, 2005	As at 31st December, 2004
	(Unaudited)	(Audited)
	HK$	*HK$*
Land and buildings:		
– within one year	**868,560**	1,037,990
– in the second to fifth years inclusive	**687,610**	1,121,890
	1,556,170	2,159,880

15. Approval of the interim financial statements

The interim financial statements were approved and authorised for issue by the board of directors on 23rd September, 2005.