

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2001

1. BASIS OF PREPARATION

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 the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" ("SSAP 25") 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 amounts have been presented for condensed consolidated cash flow statement.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investment in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2000.

In the current period, the Group has adopted, for the first time, a number of new or revised Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants. The adoption of these new or revised SSAPs does not have any significant effect on the financial statements for the current or prior period.

3. TURNOVER

| | Six months ended | |
|--|-----------------------|-----------------------|
| | 30.6.2001 HK\$'000 | 30.6.2000 HK\$'000 |
| An analysis of the Group's turnover is as follows: | | |
| Dividend income | 70 | 263 |
| Interest income | 142 | 2,672 |
| | <u>212</u> | <u>2,935</u> |

All of the Group's turnover and operating results are attributable to investment activities which are carried out or originated principally in Hong Kong.

4. (LOSS) PROFIT BEFORE TAXATION

| | Six months ended | |
|---|-----------------------|-----------------------|
| | 30.6.2001 HK\$'000 | 30.6.2000 HK\$'000 |
| (Loss) profit before taxation has been arrived at after charging: | | |
| Depreciation | 75 | 75 |
| Investment management fee (note 13) | 492 | 776 |
| | <u>567</u> | <u>851</u> |

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements since the Group had no assessable profit for the current period.

The charge for the six months ended 30th June, 2000 represented Hong Kong Profits Tax calculated at the rate of 16% on the estimated assessable profit for that period.

6. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2001 (six months ended 30th June, 2000: nil).

7. (LOSS) EARNINGS PER SHARE

The calculation of the loss per share is based on the loss for the six months ended 30th June, 2001 of approximately HK\$8,937,000 (six months ended 30th June, 2000: profit of approximately HK\$1,681,000) and on the weighted average number of 100,000,000 (six months ended 30th June, 2000: 100,000,000) shares in issue during the period.

8. INVESTMENTS IN SECURITIES

| | 30.6.2001 HK\$'000 | 31.12.2000 <i>HK\$'000</i> |
|--|-------------------------------------|-------------------------------|
| Equity securities listed in Hong Kong, at cost | 52,728 | 52,728 |
| Unrealised loss | (26,178) | (25,518) |
| | <hr/> | <hr/> |
| Market value at 30th June/31st December | 26,550 | 27,210 |
| Unlisted equity security, at fair value | 17,461 | 17,461 |
| Unlisted convertible loan notes, at fair value | - | 6,750 |
| | <hr/> | <hr/> |
| | <u>44,011</u> | <u>51,421</u> |

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$23,000 (2000: approximately HK\$1,051,000), the aged analysis of which is as follows:

| | 30.6.2001 HK\$'000 | 31.12.2000 <i>HK\$'000</i> |
|-------------|-------------------------------------|-------------------------------|
| 0–60 days | 23 | 541 |
| 61–120 days | - | 510 |
| | <hr/> | <hr/> |
| | <u>23</u> | <u>1,051</u> |

10. SHARE CAPITAL

| | Number of ordinary shares | Amount |
|----------------------------------|--------------------------------------|-------------------|
| | 30.6.2001 | 30.6.2001 |
| | and | and |
| | 31.12.2000 | 31.12.2000 |
| | | <i>HK\$'000</i> |
| Authorised: | | |
| Ordinary shares of HK\$0.01 each | <u>200,000,000</u> | <u>2,000</u> |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.01 each | <u>100,000,000</u> | <u>1,000</u> |

11. RESERVES

| | Share premium | Investment revaluation reserve | Accumulated (loss) profits | Total |
|---|----------------------|---------------------------------------|-----------------------------------|----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At 1st January, 2000 | 94,117 | 2,751 | 3,724 | 100,592 |
| Unrealised loss on revaluation of investments | – | (28,269) | – | (28,269) |
| Loss attributable to shareholders | <u>–</u> | <u>–</u> | <u>(14,348)</u> | <u>(14,348)</u> |
| At 1st January, 2001 | 94,117 | (25,518) | (10,624) | 57,975 |
| Unrealised loss on revaluation of investments | – | (660) | – | (660) |
| Loss attributable to shareholders | <u>–</u> | <u>–</u> | <u>(8,937)</u> | <u>(8,937)</u> |
| | <u><u>94,117</u></u> | <u><u>(26,178)</u></u> | <u><u>(19,561)</u></u> | <u><u>48,378</u></u> |

12. NET ASSETS VALUE PER SHARE

The calculation of the net assets value per share is based on the net assets of the Group as at 30th June, 2001 of approximately HK\$49,378,000 (2000: approximately HK\$58,975,000) and 100,000,000 (2000: 100,000,000) ordinary shares in issue as at that date.

13. RELATED PARTY TRANSACTION

For the six months ended 30th June, 2001, the Group paid investment management fees of approximately HK\$492,000 (six months ended 30th June, 2000: approximately HK\$776,000) to Haywood Investment Management Limited, a company in which certain directors, Mr. Wong Fong Kim and Dr. Chow Pok Yu, Augustine have beneficial interests.

Investment management fees are calculated at 1.5% per annum of the net assets value of the Company of the preceding month in accordance with the relevant management agreement.

14. PENDING LITIGATION

In 1999, JRB Limited (formerly known as Koffman Limited), an investee company, defaulted on the repayment of its convertible loan note held by the Company in the sum of approximately HK\$9,363,000 including accrued interest to the scheduled date of repayment. The Company has filed a legal action against JRB Limited for the recovery of the amount of approximately HK\$9,363,000 plus overdue interest. At the same time, the Company also brought a legal action against the guarantor of the convertible loan note for the enforcement of guarantee. JRB Limited had subsequently counterclaimed against the Company for loss and damages for a total amount of approximately HK\$9,355,000. During the period, these proceedings were still in progress.

As the outcome of the action cannot be determined reliably at this time, the carrying amount of the Company's investment in the convertible loan note has been reduced to nil.