

## Notes to the Condensed Financial Statements

For the six months ended 30th June, 2003

### 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 and with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA"). The condensed financial statements are unaudited but have been reviewed by the Audit Committee of the Company.

### 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, 2002, except that in the current period, the Group has adopted, for the first time, the revised SSAP 12 "Income Taxes" issued by the HKSA. The adoption of the revised SSAP 12 has had no material effect on the Group's results for the current or prior periods.

### 3. Turnover

An analysis of the Group's turnover is as follows:

	Six months ended 30th June,	
	2003 HK\$'000	2002 HK\$'000
Dividend income	–	52
Interest income	119	571
	<b>119</b>	<b>623</b>

#### 4. Business and geographical segments

All of the Group's turnover and contribution to operating results are attributable to investment activities.

The Group invests in listed and unlisted companies in Hong Kong and in other parts of the People's Republic of China (the "PRC"). These geographical markets are the basis on which the Group reports its primary segment information.

Segment information about these geographical markets is presented below:

	Hong Kong		PRC		Total	
	Six months ended		Six months ended		Six months ended	
	30th June,		30th June,		30th June,	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	2	385	117	238	119	623
RESULTS						
Segment results	(991)	(291)	93	(380)	(898)	(671)
Unallocated corporate expenses					(920)	(2,345)
Loss for the period					(1,818)	(3,016)

**5. Loss from operations**

	<b>Six months ended</b>	
	<b>30th June,</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Loss from operations has been arrived at after charging:		
Depreciation	<b>21</b>	68
Investment management fee ( <i>note 16</i> )	<b>169</b>	342
Retirement benefits scheme contributions	<b>1</b>	5
Staff costs including directors' remuneration	<b>152</b>	678

**6. Taxation**

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a loss for both periods.

**7. Dividend**

No dividend was paid during both periods.

**8. Loss per share**

The calculation of the loss per share is based on the loss for the period of HK\$1,818,000 (six months ended 30th June, 2002: loss of HK\$3,016,000) and on the weighted average number of 131,668,508 (six months ended 30th June, 2002: 111,933,702) shares in issue during the period.

**9. Investments in securities**

	<b>30th June,</b>	31st December,
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Equity securities listed in Hong Kong, at cost	<b>2,641</b>	5,288
Unrealised loss	<b>(57)</b>	(426)
Market value	<b>2,584</b>	4,862
Unlisted equity security, at fair value	<b>11,461</b>	11,461
Unlisted convertible loan notes, at fair value	<b>7,000</b>	7,000
	<b>21,045</b>	23,323

**10. Trade and other receivables**

Included in trade and other receivables of the Group at 30th June, 2003 are trade receivables of HK\$118,000 (31st December, 2002: HK\$25,000) which was aged within 0 – 60 days.

**11. Amount due from a related company**

	<b>At 30th June, 2003 HK\$'000</b>	<b>At 1st January, 2003 HK\$'000</b>	<b>Maximum balance outstanding during the period HK\$'000</b>
SAR Capital Limited	<b>178</b>	178	178

Mr. Tai Ah Lam, Michael, a director of the Company, is a director of and has beneficial interests in the above company.

**12. Secured loan – due within one year**

The loan was secured by certain of the Group's equity securities listed in Hong Kong and was interest bearing at 24% per annum.

**13. Amount due to directors/a related company**

The amounts are unsecured, non-interest bearing and have no fixed repayment terms.

**14. Share capital**

	<b>Number of ordinary shares</b>	<b>Share capital HK\$'000</b>
Ordinary shares of HK\$0.01 each		
Authorised	200,000,000	2,000
Issued and fully paid:		
Balance at 1st January, 2003	120,000,000	1,200
Shares placement	24,000,000	240
Balance at 30th June, 2003	144,000,000	1,440

In April, 2003, the Company placed 24,000,000 new shares ("Placing Shares") at a price of HK\$0.04 per Placing Share ("Placement"). The Placing Shares represented 20% of the then existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Placing Shares. The net proceeds of the Placement of approximately HK\$842,000 have been used as additional working capital of the Company and have not been utilised for investment.

**15. Net asset value per share**

The calculation of the net asset value per share is based on the net assets of the Group as at 30th June, 2003 of HK\$22,224,000 (31st December, 2002: HK\$22,831,000) and 144,000,000 (31st December, 2002: 120,000,000) shares in issue as at that date.

**16. Related party transaction**

For the six months ended 30th June, 2003, the Group paid investment management fees of approximately HK\$169,000 (six months ended 30th June, 2002: approximately HK\$342,000) to Haywood Investment Management Limited ("HIML"), a company in which a director of the Company, Mr. Wong Fong Kim, has a 9% beneficial interests. Mr. Chan Cheong Yee, a former director of the Company who resigned on 17th January, 2003, was also a director of HIML.

Investment management fees are calculated at 1.5% per annum of the net asset value of the Company at each preceding month end in accordance with an investment management agreement.

**17. Pending litigation**

In 1999, JRB Limited 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 had 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 had 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.

**18. Comparative figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.