

## Interim Dividend

The Directors resolved not to pay an interim dividend for the six months ended 30th June, 2003 (six months ended 30th June, 2002: nil).

## Business Review and Prospects

For the period ended 30th June, 2003, the Group recorded a loss of HK\$1,818,000 which represented a reduction of about 40% when compared to the loss of HK\$3,016,000 for the corresponding period last year. The improved results were primarily attributable to the lower level of administrative expenses incurred during the period, although part of the favourable effect was offset by the increased loss from disposals of listed securities. The Group's turnover for the period represented interest income generated from its convertible loan note investments.

The Group's investment portfolio as at 30th June, 2003 remained largely unchanged from that disclosed in the Company's 2002 Annual Report, except that certain listed securities were disposed of during the period in light of the weak market sentiment at that time. As for the Group's other investments, additional management efforts have been put to the monitoring of their performance with a view to increase their returns to the Group. As at 30th June, 2003, about 33% in value of the Group's investment portfolio was constituted by investments in convertible loan notes, 12% in Hong Kong listed securities and 55% represented by an equity interest in a building materials manufacturing company in the Mainland. The Group had repaid the secured loan of HK\$1,000,000 during the period and had no other borrowings as at the period end date. At present, the Group's investment portfolio is mostly financed by its shareholders' funds. As at 30th June, 2003, consolidated net asset value per share of the Company was HK\$0.15.

Currently, the assets and liabilities and business transactions of the Group are mainly carried at and conducted in Hong Kong dollars and Renminbi. As the exchange rate of Hong Kong dollars to Renminbi has been stable, the Directors are of the view that the Group's exposure to exchange rate risk is not significant.

## **Business Review and Prospects (continued)**

In April 2003, the Company raised net proceeds of approximately HK\$842,000 from a share placement of 24,000,000 new shares to independent investors. New funds raised have been used as additional working capital of the Group, and given other liquid assets on hand, the Directors are satisfied that the Group has sufficient financial resources to meet its ongoing operational requirements.

Looking ahead, in light of the improvement of stock market sentiment recently in Hong Kong and the showing of signs that the economy is on its recovery path, it is expected that these favourable developments will benefit the Group's investment portfolio and enhance its return to our shareholders.

## **Pending Litigation**

The proceedings against an investee company and its guarantor for the recovery of an convertible loan note investment of an amount of approximately HK\$9,363,000 plus overdue interest are still in progress, further details of which are contained in note 17 to the condensed consolidated financial statements.

## **Investment Manager**

The Company has appointed Haywood Investment Management Limited to act as its investment manager to provide investment management and administrative services to the Group. The investment manager is remunerated in accordance with an investment management agreement. During the period, investment management fee of approximately HK\$169,000 was paid by the Company.

Currently, the Company has not employed any staff save for the directors of the Company.