

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited consolidated condensed accounts are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These condensed accounts should be read in conjunction with the 2003 annual accounts. The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December, 2003.

2. Turnover, revenue 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,	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Turnover		
Interest income from		
– bank deposits	753	11,448
– convertible bonds	298,361	294,085
– loan	2,296,358	2,321,863
Dividend income from		
– listed investments	558,548	531,657
– unlisted investments	750,000	1,700,000
	3,904,020	4,859,053
Other revenues		
Realised loss on sale of		
– other investments	(114,960)	(106,584)
– investment securities	(1,115,000)	–
Other income	971,812	1,000,000
Loss on disposal of fixed assets	–	(17,500)
	(258,148)	875,916
Total revenues	3,645,872	5,734,969

2. Turnover, revenue and segment information (Continued)

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

3. Operating profit

Operating profit is stated after charging the following:

	Six months ended 30th June,	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Management fees	1,099,863	1,035,798
Mandatory provident fund contributions	37,278	37,055
Operating lease in respect of land and buildings	98,000	117,600
Provision for bad and doubtful debts	23,248	117,500
	<u>1,258,389</u>	<u>1,307,953</u>

4. Finance costs

Amount represents interest on loan repayable and interest on convertible bonds issued by a subsidiary of the Group which will be wholly repayable or converted into shares of a subsidiary on the maturity dates.

5. Income tax

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

6. Loss per share

The calculations of basic and diluted loss per share are based on the Group's loss attributable to shareholders of HK\$3,061,613 (2003: HK\$2,049,900) and on the weighted average of 121,798,801 (2003: 112,734,707) ordinary shares in issue during the period.

7. Accounts receivable and prepayments

	30th June, 2004 (Unaudited) HK\$	31st December, 2003 (Audited) HK\$
Accounts receivable	10,706,743	1,747,086
Loan receivable	14,562,620	15,471,461
Interest receivable	3,357,096	2,436,690
Other receivables and prepayments	667,747	661,403
	<u>29,294,206</u>	<u>20,316,640</u>

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, 2004	<u>692,230</u>	<u>8,863,822</u>	<u>394,745</u>	<u>19,343,409</u>	<u>29,294,206</u>
Balance at					
31st December, 2003	<u>725,476</u>	<u>490,628</u>	<u>421,935</u>	<u>18,678,601</u>	<u>20,316,640</u>

8. Share capital

	Authorised ordinary shares of HK\$0.01 each	Authorised ordinary shares of HK\$0.2 each
	<i>No. of shares</i>	<i>HK\$</i>
At 1st January, 2003, before share consolidation (<i>Note (b)</i>)	<u>10,000,000,000</u>	<u>100,000,000</u>
At 1st January, 2004 and 30th June, 2004, after share consolidation (<i>Note (b)</i>)	<u>500,000,000</u>	<u>100,000,000</u>

8. Share capital (Continued)

	Issued and fully paid ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$</i>
At 1st January, 2003	974,388,225	9,743,882
Issue of shares due to rights issue (<i>Note (a)</i>)	1,461,582,337	14,615,824
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At 24th January, 2003 before share consolidation (<i>Note (b)</i>)	2,435,970,562	24,359,706
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	Issued and fully paid ordinary shares of HK\$0.2 each	
At 31st December, 2003 and 1st January, 2004 after share consolidation (<i>Note (b)</i>)	121,798,528	24,359,706
Exercise of warrants (<i>Note (c)</i>)	3,846	769
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At 30th June, 2004	121,802,374	24,360,475
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Notes:

(a) Rights issue

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 19th December, 2002, a rights issue scheme which offered three rights shares for every two existing shares to the existing shareholders was approved and adopted. New shares of 1,461,582,337 of HK\$0.01 each were issued at HK\$0.02 per share for cash on 23rd January, 2003 under the rights issue scheme. These shares rank pari passu to the existing shares. The funds raised by the Company net of share issuance expenses amounted to HK\$27,945,994 which was used as the Group's working capital and for investment purposes.

(b) Share consolidation

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 23rd January, 2003, 20 shares of the Company of HK\$0.01 each were consolidated into 1 new share of the Company of HK\$0.2 each with effect on 24th January, 2003.

(c) 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.

9. Convertible bonds

	30th June, 2004 (Unaudited) HK\$	31st December, 2003 (Audited) HK\$
Convertible bonds		
Due for repayment	5,000,000	5,000,000
Repayable within one year	9,900,000	39,900,000
	<u>14,900,000</u>	<u>44,900,000</u>

As at 30th June, 2004, the maturity date for a convertible bond with a principal amount of HK\$9.9 million has been extended to 8th March, 2005. The remaining convertible bond of HK\$5 million was due for repayment before period end.

10. Loan repayable

	30th June, 2004 (Unaudited) HK\$	31st December, 2003 (Audited) HK\$
Loan repayable		
Within one year	10,000,000	–
Over one year	5,000,000	–
	<u>15,000,000</u>	<u>–</u>

During the period, the bondholder of HK\$15 million agreed to convert the bonds as a loan advanced to a subsidiary of the Company. The loan is secured by a guarantee provided by the Company.

The loan bears a fixed interest at the rate of 5 % per annum and is repayable within 2 years by installments.

11. Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	Six months ended 30th June,	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Management fees		
– Harmony Asset Management Limited (<i>Note</i>)	<u>1,099,863</u>	<u>1,035,798</u>

Note: The Company has entered into an investment management agreement with Harmony Asset Management Limited ("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 Pok Yu, Augustine, being a beneficial shareholder, was interested in these contracts.

12. Commitments

At 30th June, 2004, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

Commitments under operating lease

	30th June,	31st December,
	2004	2003
	(Unaudited)	(Audited)
	HK\$	HK\$
Land and buildings		
Within one year	1,207,421	456,461
In the second to fifth years inclusive	1,556,170	169,430
	<u>2,763,591</u>	<u>625,891</u>