

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2004

1. Basis of preparation

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated financial statements are unaudited but have been reviewed by the Audit Committee of the Company.

2. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments in securities. The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements as at and for the six months ended 30th June, 2004 are consistent with those applied in the preparation of the Group's annual report as at and for the year ended 31st December, 2003. The unaudited condensed consolidated financial statement should be read in conjunction with the Group's annual report as at and for the year ended 31st December, 2003.

3. Turnover

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

Interest income

Six months ended	
30th June,	
2004	2003
<i>HK\$'000</i>	<i>HK\$'000</i>
14	119

4. Segments information

All of the Group's turnover and contribution to operating results are attributable to its 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,	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	14	2	–	117	14	119
Segment results	(1,454)	(991)	(3)	93	(1,457)	(898)
Unallocated revenue					42	–
Unallocated corporate expenses					(8)	(920)
Loss for the period					(1,423)	(1,818)

5. Loss from operations

	Six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging:		
Depreciation	7	21
Investment management fees (<i>note 14</i>)	146	169
Retirement benefits scheme contributions	—	1
Staff costs (including directors' remuneration)	447	152
	600	343

6. Taxation

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

7. Loss per share

The calculation of the loss per share is based on the loss for the period of HK\$1,423,000 (six months ended 30th June, 2003: loss of HK\$1,818,000) and on the weighted average number of 158,874,725 (six months ended 30th June, 2003: 131,668,508) shares in issue during the period.

8. Property, plant and equipment

	Equipment and fixtures
	HK\$'000
Cost	
At 1st January 2004	—
Addition during the period	216
At 30th June 2004	216
Accumulated depreciation	
At 1st January 2004	—
Depreciation for the period	7
At 30th June 2004	7
Net book value	
At 30th June 2004	209
At 31st December 2003	—

9. Investments in securities

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Equity securities listed in Hong Kong, at cost	–	–
Unrealised loss	42	53
Market value	42	53
Unlisted equity security, at fair value	12,725	9,661
	12,767	9,714

10. Unsecured loan

The unsecured loan with no fixed term of repayment was interest bearing at 5% per annum.

11. Amounts due to directors

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

12. Share capital

	Number of ordinary shares	Share capital HK\$'000
Authorised		
Ordinary shares of HK\$0.01 each	200,000,000	2,000
Issued and fully paid		
Balance at 1st January, 2004	144,000,000	1,440
New shares issued on 29th March, 2004	28,800,000	288
Balance at 30th June, 2004	172,800,000	1,728

On 10th March, 2004, the Company entered into a placing agreement for the placing of 28,800,000 new shares ("Placing Shares") through a placing agent, to more than six independent investors at a price of HK\$0.124 per Placing Share (the "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 Placement was completed on 29th March, 2004. The net proceeds of the Placement of approximately HK\$3,408,000 have been used as additional working capital of the Company. The Placing Shares ranked pari passu in all respect with the existing issued share capital of the Company.

13. 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, 2004 of HK\$14,318,000 (31st December, 2003: HK\$12,344,000) and 172,800,000 (31st December, 2003: 144,000,000) shares in issue as at that date.

14. Related party transaction

For the six months ended 30th June, 2004, the Group paid investment management fees of approximately HK\$169,000 (six months ended 30th June, 2003: approximately HK\$342,000) to the former investment manager, Haywood Investment Management Limited ("HIML"), a company in which a director of the Company, Mr. Wong Fong Kim, had an approximately nil% of beneficial interest as at 30th June, 2004 (31st December, 2003: 9%).

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.

15. Change of investment manager

In March 2004, the Company entered into agreements to terminate HIML and appoint Altus Capital Limited ("ACL") as the investment manager to provide the investment management services to the Company. The agreements were conditional upon the Stock Exchange approving an announcement relating thereto being made in accordance with the Listing Rules, which approval had been obtained on 13th July, 2004. ACL should be deemed as a connected person of the Company pursuant to the Listing Rules upon the agreement became effective on 13th July, 2004.

Investment management fees to ACL are charged on a similar basis as the previous investment management agreement with HIML and are calculated at 1.5% per annum of the net asset value of the Company at each preceding month end.

16. Contingencies

The Group had no material contingent liabilities at the balance sheet date.

17. Post balance sheet event

On 10th June, 2004, the Company entered into a subscription agreement to allot and issue 27,200,000 new shares ("Subscription Shares") under the General Mandate to a subscriber in cash at a subscription price of HK\$0.10 per Subscription Share. The Subscription Shares represented approximately 15.7% of the then existing issued share capital of the Company and approximately 13.6% of the issued share capital of the Company as enlarged by the issue of 27,200,000 Subscription Shares. The Subscription Shares, when fully paid, ranked pari passu in all respects with the existing issued share capital of the Company. The subscription was completed on 4th August, 2004. The net proceeds from the subscription of approximately HK\$2,500,000 will be applied for future investment purposes.