



1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost conversion as modified by the valuation of investment in securities at fair value.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Fixed assets are depreciated at rates sufficient to write off their cost on the straight-line basis over their estimated useful lives to the Group. The principal annual rate used for this purpose is $33\frac{1}{3}\%$.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

1. PRINCIPAL ACCOUNTING POLICIES (continued)**(d) Investments in securities****(i) Investment securities**

Investment securities which are held for non-trading purpose are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus or deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Individual investments are reviewed regularly to determine whether they are impaired. When an investment is considered to be impaired, the cumulative loss in the revaluation reserve is taken to the profit and loss account.

Transfers from the investment revaluation reserve to the profit and loss account as a result of impairments are written back in the profit and loss account when the circumstances and events leading to the impairment cease to exist.

(ii) Trading securities

Trading securities are carried at fair value. At each balance sheet date, the net unrealised holding gains or losses arising from the changes in fair value of trading securities are recognised in the profit and loss account. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(e) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(f) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.



1. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Revenue recognition

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

2. TURNOVER AND REVENUE

The Group is principally engaged in the investment in listed and unlisted companies. Revenues recognised during the year are as follows:

	Year ended 31st December 2000 HK\$	Period from 5th March 1999 (date of incorporation) to 31st December 1999 HK\$
Turnover		
Proceeds from sale of trading securities	34,058,900	10,548,850
	-----	-----
Other revenues		
Interest income	4,808,964	971,748
Dividend income from investments in securities	570,000	—
	-----	-----
	5,378,964	971,748
	-----	-----
Total revenues	39,437,864	11,520,598
	=====	=====



3. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	Year ended 31st December 2000 HK\$	Period from 5th March 1999 (date of incorporation) to 31st December 1999 HK\$
Auditors' remuneration	150,000	150,000
Depreciation	190,693	3,787
Staff costs	2,070,639	249,260
Operating leases — land and buildings	<u>461,108</u>	<u>—</u>

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the year.

The amount of taxation charged to the consolidated profit and loss account represents:

	Year ended 31st December 2000 HK\$	Period from 5th March 1999 (date of incorporation) to 31st December 1999 HK\$
Hong Kong profits tax	150,000	47,000
Underprovision in prior year	57,869	—
Deferred taxation	<u>(73,000)</u>	<u>73,000</u>
	<u>134,869</u>	<u>120,000</u>

At 31st December 2000 and 1999, there was no material unprovided deferred taxation.

5. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$6,212,390 (1999: HK\$1,602,401).



6. DIVIDENDS

	Year ended 31st December 2000 HK\$	Period from 5th March 1999 (date of incorporation) to 31st December 1999 HK\$
Final, proposed, of HK\$0.01 (1999: Nil) per ordinary share	<u>1,000,000</u>	<u>—</u>

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to the shareholders of HK\$6,182,847 (1999: HK\$1,602,401).

The basic earnings per share is based on the weighted average of 100,000,002 (1999: 23,841,061) ordinary shares in issue during the year. The diluted earnings per share is based on 100,943,047 (1999: 23,841,061) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average of 943,045 (1999: Nil) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors

The aggregate amounts of emoluments payable to directors, which are also included in staff costs as disclosed in note 3, of the Company during the year are as follows:

	Year ended 31st December 2000 HK\$	Period from 5th March 1999 (date of incorporation) to 31st December 1999 HK\$
Fees	180,000	32,464
Other emolument		
Basic salaries, housing allowances, other allowances and benefits in kind	1,256,000	194,796
Discretionary bonuses	424,000	—
Contribution to pension schemes	3,000	—
	<u>1,863,000</u>	<u>227,260</u>



8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors (continued)

Directors' fees disclosed above include HK\$48,000 (1999: HK\$8,656) paid to independent non-executive directors.

The emoluments of each of the directors fell within the emolument band of HK\$ Nil to HK\$1,000,000 for the year/period ended 31st December 2000 and 1999.

No directors waived emoluments in respect of the year/period ended 31st December 2000 and 1999.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (1999: four) directors whose emoluments are reflected in the analysis presented in note 8(a) above. The emoluments payable to the remaining one individual during the year are as follows:

	Year ended 31st December 2000 HK\$	Period from 5th March 1999 (date of incorporation) to 31st December 1999 HK\$
Basic salaries, housing allowances, other allowances and benefits in kind	<u><u>149,000</u></u>	<u><u>22,000</u></u>

(c) Share options granted to the directors of the Company

Under a share option scheme (the "Scheme") approved by the shareholders of the Company, the directors of the Company may, at their discretion, invite employees, including executive directors of the Company, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.



8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(c) Share options granted to the directors of the Company (continued)

On 15th February 2000, options have been granted to the executive directors of the Company pursuant to the Scheme as follows:

Name of director	Date of grant	Number of share options granted	Exercise price per share option HK\$
Mr NGAN Man Kit	15th February 2000	2,000,000	0.66
Mr HO Wai Ip	15th February 2000	2,000,000	0.66
Mr WU Ting Yat, Timmy	15th February 2000	2,000,000	0.66

These share options are exercisable from 15th February 2000 to 14th February 2010. None of the above options have been exercised during the year.

9. FIXED ASSETS

	Group and Company			Total HK\$
	Leasehold improvement HK\$	Office equipment HK\$	Furniture and fixtures HK\$	
Cost				
At 1st January 2000	—	11,360	—	11,360
Additions	160,070	68,900	337,020	565,990
At 31st December 2000	160,070	80,260	337,020	577,350
Accumulated depreciation				
At 1st January 2000	—	3,787	—	3,787
Charge for the year	53,357	25,366	111,970	190,693
At 31st December 2000	53,357	29,153	111,970	194,480
Net book value				
At 31st December 2000	106,713	51,107	225,050	382,870
At 31st December 1999	—	7,573	—	7,573



10. INTERESTS IN SUBSIDIARIES

	Company	
	2000	1999
	HK\$	HK\$
Investments at cost		
Unlisted shares	156	—
Loans to subsidiaries	2,761,137	—
	2,761,293	—

The loans to subsidiaries are interest-free and have no fixed terms of repayment.

The following is a list of the subsidiaries held directly by the Company at 31st December 2000:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Daily Double Investments Limited	The British Virgin Islands	Investment holding in Hong Kong	10 ordinary shares of US\$1 each	100%
Master Gain Assets Limited	The British Virgin Islands	Investment holding in Hong Kong	10 ordinary shares of US\$1 each	100%

11. INVESTMENT SECURITIES

	Group and Company	
	2000	1999
	HK\$	HK\$
Equity securities listed in Hong Kong, at market value	16,500,000	—



11. INVESTMENT SECURITIES (continued)

At 31st December 2000, the carrying amounts of interests in the following company exceeded 10% of total assets of the Group and the Company respectively:

Name	Place of incorporation	Particulars of issued shares held	Investment value		Interest held	Dividends received
			Acquisition cost	At market value		
			HK\$	HK\$		HK\$
Universe International Holdings Limited	Bermuda	Ordinary shares of HK\$0.02 each	8,400,000	16,500,000	3.17%	180,000

Universe International Holdings Limited ("UIH") is principally engaged in the distribution of films in various formats, sub-licensing of film rights, film exhibition and replication of optical disc. Based on the 2000 annual report of UIH, the profit attributable to shareholders of UIH for the year ended 30th June 2000 was approximately HK\$61,063,000 and the net assets of UIH as at 30th June 2000 were approximately HK\$195,589,000.

12. TRADING SECURITIES

	Group		Company	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
Equity securities, at fair value				
Listed in Hong Kong	18,008,400	2,325,000	18,008,400	2,325,000
Unlisted	2,737,420	—	5,670	—
	<u>20,745,820</u>	<u>2,325,000</u>	<u>18,014,070</u>	<u>2,325,000</u>
Market value of listed equity securities	<u>18,008,400</u>	<u>2,325,000</u>	<u>18,008,400</u>	<u>2,325,000</u>



12. TRADING SECURITIES (continued)

At 31st December 2000, the carrying amounts of interests in the following companies, which were all listed equity securities and were acquired during the year, exceeded 5% of total assets of the Group and the Company respectively are as follows:

Name	Place of incorporation	Particulars of issued shares held	Investment value		Interest held	Dividends received
			Acquisition cost	At market value		
			HK\$	HK\$		HK\$
Moulin International Holdings Limited	Bermuda	Ordinary shares of HK\$0.1 each	9,244,440	9,450,000	Less than 1%	390,000
Hong Kong Pharmaceutical Holdings Limited	Bermuda	Ordinary shares of HK\$0.1 each	5,400,000	7,650,000	Less than 1%	—

Particulars of the above major trading securities are as follows:

(i) **Moulin International Holdings Limited (“MIH”)**

MIH is principally engaged in the design, manufacture, distribution and retailing of optical products. Based on the 2000 annual report of MIH, the profit attributable to the shareholders of MIH for the year ended 31st March 2000 was approximately HK\$284,498,000 and the net assets of MIH as at 31st March 2000 were approximately HK\$1,183,937,000.

(ii) **Hong Kong Pharmaceutical Holdings Limited (“HKPH”)**

HKPH is principally engaged in the wholesale and retail of Chinese and other medicines, health products and dried seafoods and property investment. Based on the 2000 annual report of HKPH, the loss attributable to the shareholders of HKPH for the year ended 31st March 2000 was approximately HK\$5,865,000 and the net liabilities of HKPH as at 31st March 2000 were approximately HK\$90,741,000.

13. SHARE CAPITAL

	Ordinary share of US\$1.00 each		Ordinary share of HK\$0.1 each	
	No. of shares	US\$	No. of shares	HK\$
At the date of incorporation	50,000	50,000	—	—
Increase in authorised ordinary share capital	—	—	200,000,000	20,000,000
Cancellation of authorised ordinary share capital	(50,000)	(50,000)	—	—
At 31st December 1999	—	—	200,000,000	20,000,000
At 31st December 2000	—	—	200,000,000	20,000,000



13. SHARE CAPITAL (continued)

	Issued and fully paid			
	Ordinary share of US\$1.00 each		Ordinary share of HK\$0.1 each	
	<i>No. of shares</i>	<i>US\$</i>	<i>No. of shares</i>	<i>HK\$</i>
At the date of incorporation	2	2	—	—
Issue of shares	—	—	100,000,002	10,000,000
Redemption of issued shares at par	(2)	(2)	—	—
At 31st December 1999	<u>—</u>	<u>—</u>	<u>100,000,002</u>	<u>10,000,000</u>
At 31st December 2000	<u>—</u>	<u>—</u>	<u>100,000,002</u>	<u>10,000,000</u>

Under a share option scheme (the "Scheme") approved by the shareholders of the Company, the directors of the Company may, at their discretion, invite employees, including executive directors of the Company, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. On 15th February 2000, the Company granted a total of 6,000,000 option shares to executive directors at an exercise price of HK\$0.66 per share. These options are exercisable from 15th February 2000 to 14th February 2010. None of these options has been exercised during the year.

14. RESERVES

	Group			
	Share premium	Investment revaluation reserve	Retained profits	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Issue of shares	90,000,020	—	—	90,000,020
Expenses incurred for the issue of shares	(5,968,098)	—	—	(5,968,098)
Profit for the period retained	<u>—</u>	<u>—</u>	<u>1,602,401</u>	<u>1,602,401</u>
At 31st December 1999	<u>84,031,922</u>	<u>—</u>	<u>1,602,401</u>	<u>85,634,323</u>
At 1st January 2000	84,031,922	—	1,602,401	85,634,323
Surplus on revaluation of investment securities	—	8,100,000	—	8,100,000
Profit for the year retained	<u>—</u>	<u>—</u>	<u>5,182,847</u>	<u>5,182,847</u>
At 31st December 2000	<u>84,031,922</u>	<u>8,100,000</u>	<u>6,785,248</u>	<u>98,917,170</u>



14. RESERVES (continued)

	Company			Total HK\$
	Share premium HK\$	Investment revaluation reserve HK\$	Retained profits HK\$	
Issue of shares	90,000,020	—	—	90,000,020
Expenses incurred for the issue of shares	(5,968,098)	—	—	(5,968,098)
Profit for the period retained	—	—	1,602,401	1,602,401
At 31st December 1999	<u>84,031,922</u>	<u>—</u>	<u>1,602,401</u>	<u>85,634,323</u>
At 1st January 2000	84,031,922	—	1,602,401	85,634,323
Surplus on revaluation of investment securities	—	8,100,000	—	8,100,000
Profit for the year retained	—	—	5,212,390	5,212,390
At 31st December 2000	<u>84,031,922</u>	<u>8,100,000</u>	<u>6,814,791</u>	<u>98,946,713</u>

The Company had a distributable reserve of HK\$90,846,713 at 31st December 2000 (1999: HK\$85,634,323), represented by the total of share premium and retained profits of the Company. Under the Companies Law (2000 Revision) of the Cayman Islands, share premium of the Company is distributable to the shareholders, subject to a solvency test.



15. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to net cash outflow from operating activities

	Year ended 31st December 2000 HK\$	Period from 5th March 1999 (date of incorporation) to 31st December 1999 HK\$
Profit before taxation	6,317,716	1,722,401
Depreciation	190,693	3,787
Unrealised holding gain on trading securities	(2,558,400)	(450,000)
Increase in trading securities	(15,862,420)	(1,875,000)
Decrease/(increase) in deposits, prepayments and other receivables	56,303	(487,421)
Increase in sundry payables and accruals	3,571	158,529
Interest income	(4,808,964)	(971,748)
Dividend income	(570,000)	—
	<u>(17,231,501)</u>	<u>(1,899,452)</u>

16. COMMITMENTS

(a) Capital commitments for investment securities of the Group

	2000 HK\$	1999 HK\$
Contracted but not provided for	<u>4,000,000</u>	<u>—</u>

(b) Capital commitments for fixed assets of the Group and the Company

	2000 HK\$	1999 HK\$
Authorised but not contracted for	<u>—</u>	<u>420,000</u>



16. COMMITMENTS (continued)

(c) Commitments under operating leases

At 31st December 2000, the Group had commitments to make payments in the next twelve months under operating leases for land and buildings which expire as follows:

	2000 HK\$	1999 HK\$
In the second to fifth year inclusive	<u>504,341</u>	<u>468,000</u>

17. RELATED PARTY TRANSACTIONS

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

	Year ended 31st December 2000 HK\$	Period from 5th March 1999 (date of incorporation) to 31st December 1999 HK\$
Fee paid/payable to a related company	<u>1,838,493</u>	<u>—</u>

Pursuant to the Investment Management Agreement between the Company and Alpha Asset Investments Limited (the "Investment Manager"), the Investment Manager provides investment management services and general administrative services to the Group. Under this arrangement, the Investment Manager is entitled to a monthly management fee payable in advance at 2.5% per annum of the net asset value of the Group at the end of the preceding month on the basis of actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to 15% of the surplus in net asset value of the Group over a financial year or period.

Mr NGAN Man Kit, an executive director of the Company, has 60% equity interests in the Investment Manager.



18. POST BALANCE SHEET DATE EVENTS

- (a) Daily Double Investments Limited ("Daily Double"), a wholly owned subsidiary of the Company, entered into an agreement on 16th October 2000 to invest HK\$4,000,000 for 17% of the equity interests in Trendwell Investment Limited ("Trendwell"). Trendwell is engaged in the investment in the development and production of chips for the third generation mobile telecommunication. On 8th January 2001, Daily Double paid the capital contribution of HK\$4,000,000 to Trendwell.
- (b) On 20th February 2001, the Company entered into an agreement to sell all the shares of Master Gain Assets Limited ("Master Gain") and the shares of LogiMatrix Limited ("LogiMatrix") owned by Master Gain to a third party (the "S&P Agreement") at a cash consideration of US\$350,000 (approximately HK\$2.7 million) (the "Purchase Price"), representing the original cost of investment of Master Gain in LogiMatrix. LogiMatrix is engaged in the implementation of a web-based logistics matrix market place. 20% of the Purchase Price was paid on 21st February 2001. 40% of the Purchase Price is scheduled to be paid at the end of six months from the date of the S&P Agreement and the remaining 40% of the Purchase Price will be paid at the end of nine months from the date of the S&P Agreement. The last two payments of the Purchase Price payable under the S&P Agreement will bear interest at the rate of 7.5% p.a. Pursuant to the S&P Agreement, the shares in Master Gain and LogiMatrix will only be transferred to the buyer upon the final payment of the Purchase Price.

19. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 11th April 2001.