

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), and on a basis consistent with the principal accounting policies and methods of computation adopted in the 2000 annual report except that the Group has changed certain of its accounting policies following its adoption of the following new SSAPs which became effective during the Period. Certain comparative figures have also been restated to conform with the current period presentation.

(a) **SSAP 9 (revised) “Events after the Balance Sheet Date”**

In accordance with SSAP 9 (revised), dividends proposed after the balance sheet date should not be recognized as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the proposed final dividend amounting to HK\$1,000,000 previously disclosed as current liability as at December 31, 2000 has been restated and shown under shareholders’ funds.

(b) **SSAP 14 (revised) “Leases”**

SSAP 14 prescribes the accounting policies and disclosure requirements in relation to finance and operating leases. The adoption of SSAP 14 by the Group does not have any impact on these interim accounts except that certain comparative figures and disclosures in note 12(a) have been extended.

(c) **SSAP 26 “Segmental Reporting”**

The Group is principally engaged in the investment in listed and unlisted companies and all the investment decisions are made in Hong Kong. Accordingly, no analysis of segmental information is required to be disclosed.

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2. TURNOVER AND REVENUE

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

	Unaudited	
	Six months ended	
	June 30,	
	2001	2000
	HK\$'000	HK\$'000
Turnover		
Proceeds from sale of trading securities	<u>30,002</u>	<u>27,971</u>
Other revenues		
Interest income	1,677	2,559
Dividend income from investments in securities	369	—
	<u>2,046</u>	<u>2,559</u>
Total revenues	<u><u>32,048</u></u>	<u><u>30,530</u></u>

3. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	Unaudited	
	Six months ended	
	June 30,	
	2001	2000
	HK\$'000	HK\$'000
Depreciation	175	98
Staff costs	967	949
Operating leases — land and buildings	<u>224</u>	<u>224</u>

4. TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the Period.
- (b) Provision for taxation in the condensed consolidated balance sheet represents Hong Kong profits tax provided on the estimated assessable profit for the current period and previous year less the amount of provisional tax paid.

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5. EARNINGS PER SHARE

- (a) The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$2,246,000 (2000: HK\$5,588,000) and on 100,000,002 (2000: 100,000,002) ordinary shares in issue.
- (b) The diluted earnings per share is based on the 100,789,746 (2000: 100,942,427) ordinary shares which is the number of ordinary shares in issue during the Period plus the weighted average of 789,474 (2000: 942,425) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

6. ACCOUNTS RECEIVABLE

The balance represents proceeds from sale of listed equity securities in Hong Kong to be received two days after the dates of transactions.

7. ACCOUNTS PAYABLE

The balance represents payment for the acquisition of listed equity securities in Hong Kong to be made two days after the dates of transactions.

8. INVESTMENT SECURITIES

	Unaudited June 30, 2001 HK\$'000	December 31, 2000 HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	12,600	16,500
Unlisted	4,000	—
	<u>16,600</u>	<u>16,500</u>
Market value of listed equity securities	<u>12,600</u>	<u>16,500</u>

At June 30, 2001, the carrying amounts of interest in the following company exceeded 10% of total assets of the Group:

Name	Place of incorporation	Particulars of issued shares held	Investment value		Interest held	Dividend received HK\$
			Acquisition cost HK\$'000	At market value HK\$'000		
Universe International Holdings Limited	Bermuda	Ordinary shares of HK\$0.02 each	8,400	12,600	3.17%	—

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 2001 interim report of UIH, the profit attributable to shareholders of UIH for the six months ended December 31, 2000 was approximately HK\$24,025,000 and the net assets of UIH as at December 31, 2000 were approximately HK\$219,614,000.

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9. TRADING SECURITIES

	Unaudited June 30, 2001 HK\$'000	December 31, 2000 HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	5,408	18,008
Unlisted	2,732	2,738
	<u>8,140</u>	<u>20,746</u>
Market value of listed equity securities	<u>5,408</u>	<u>18,008</u>

10. SHARE CAPITAL

	Ordinary shares of HK\$0.10 each	
	Number of shares	Amount HK\$'000
Issued and fully paid:		
At January 1, 2001	100,000,002	10,000
Issuance / (Redemption) of shares	—	—
At June 30, 2001	<u>100,000,002</u>	<u>10,000</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 February 15, 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 February 15, 2000 to February 14, 2010. None of these options has been exercised during the Period.

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11. RESERVES

	Group			
	Share Premium <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At January 1, 2001				
- as originally stated	84,032	8,100	6,785	98,917
- prior year adjustment (note 1(a))	—	—	1,000	1,000
	<hr/>	<hr/>	<hr/>	<hr/>
- as restated	84,032	8,100	7,785	99,917
2000 final dividend paid	—	—	(1,000)	(1,000)
Deficit on revaluation of investment securities	—	(3,900)	—	(3,900)
Profit for the Period retained	—	—	2,246	2,246
	<hr/>	<hr/>	<hr/>	<hr/>
At June 30, 2001	<u>84,032</u>	<u>4,200</u>	<u>9,031</u>	<u>97,263</u>
				<i>HK\$'000</i>
At December 31, 2001				
Retained earnings				98,917
2000 Final dividend proposed				1,000
				<hr/>
				<u>99,917</u>

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12. COMMITMENTS

(a) Commitments under operating leases

As at June 30, 2001, the Group had future aggregate minimum lease commitments to make payments under non-cancellable operating leases for land and buildings as follows:

	Unaudited June 30, 2001 HK\$'000	December 31, 2000 HK\$'000
In the first year	370	370
In the second year	208	351
In the third to fifth year inclusive	—	13
	<u> </u>	<u> </u>

(b) Capital commitments for investment securities of the Group

	Unaudited June 30, 2001 HK\$'000	December 31, 2000 HK\$'000
Contracted but not provided for	—	4,000
	<u> </u>	<u> </u>

13. RELATED PARTY TRANSACTIONS

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

	Unaudited Six months ended June 30, 2001 HK\$'000	2000 HK\$'000
Fee paid to a related party	2,098	471
	<u> </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.