

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited condensed interim accounts are prepared in accordance with 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 (“Listing Rules”) of The Stock Exchange of Hong Kong Limited.

These condensed accounts should be read in conjunction with the 2001 annual financial statements.

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 December 31, 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs which are effective for accounting periods commencing on or after January 1, 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

Certain presentational changes have been made upon the adoption of SSAP 1 (revised) “Presentation of financial statements” and SSAP 15 (revised) “Cash flow statements”.

Except for the above, the adoption of these new or revised SSAPs has no material impact on the Group’s financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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	
	2002	2001
	HK\$'000	HK\$'000
Turnover		
Proceeds from sale of trading securities	<u>19,761</u>	<u>30,002</u>
Other revenues		
Interest income	583	1,677
Dividend income from investments in securities	307	369
Underwriting commission	10	—
	<u>900</u>	<u>2,046</u>
Total revenues	<u><u>20,661</u></u>	<u><u>32,048</u></u>

3. (LOSS) / PROFIT BEFORE TAXATION

(Loss) / profit before taxation is stated after charging the following:

	Unaudited	
	Six months ended	
	June 30	
	2002	2001
	HK\$'000	HK\$'000
Depreciation	174	175
Staff costs	1,140	967
Operating leases - land and buildings	<u>174</u>	<u>224</u>

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the Period.

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5. (LOSS) / EARNINGS PER SHARE

- (a) The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of approximately HK\$1,309,000 (2001: profit of HK\$2,246,000) and on 200,000,004 (2001: 200,000,004) ordinary shares in issue. The number of ordinary shares in issue for the Period and the six months ended June 30, 2001 has been adjusted retrospectively after taking into account the one to one bonus issue of shares of the Company effected on May 24, 2002.
- (b) The diluted (loss) / earnings per share is based on the 200,136,670 (2001: 201,578,952) ordinary shares which is the number of ordinary shares in issue during the Period plus the weighted average of 136,666 (2001: 1,578,948) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

6. INVESTMENT SECURITIES

	Unaudited	
	June 30	December 31
	2002	2001
	HK\$'000	HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	17,400	19,200
Unlisted	4,000	4,000
	<u>21,400</u>	<u>23,200</u>
Market value of listed equity securities	<u>17,400</u>	<u>19,200</u>

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7. TRADING SECURITIES

	Unaudited June 30 2002 HK\$'000	December 31 2001 HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	<u>15,898</u>	<u>15,465</u>
Market value of listed equity securities	<u>15,898</u>	<u>15,465</u>

8. SHARE CAPITAL

	Ordinary shares of HK\$0.10 each	
	Number of shares	Amount HK\$'000
<i>Issued and fully paid:</i>		
At January 1, 2002	100,000,002	10,000
One to one bonus issue on May 24, 2002	<u>100,000,002</u>	<u>10,000</u>
At June 30, 2002	<u>200,000,004</u>	<u>20,000</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. A condition of the Scheme is that the number and price of option shares granted will be adjusted if the reserves of the Company is capitalized. The number of the aforementioned option shares granted has been adjusted to 12,000,000 at an exercise price of HK\$0.33 per share following the one to one bonus issue of shares of the Company effected on May 24, 2002. None of these options has been exercised during the Period.

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9. DIVIDENDS

	Unaudited Six months ended June 30	
	2002	2001
	HK\$'000	HK\$'000
Dividend paid		
2001 final dividend of HK\$0.01 (2000:HK\$0.01) per ordinary share	1,000	1,000
	<u> </u>	<u> </u>

10. COMMITMENTS

Commitments under operating leases

As at June 30, 2002, 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	December 31
	2002	2001
	HK\$'000	HK\$'000
Not later than one year	317	485
	<u> </u>	<u> </u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

11. 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	
		2002	2001
		HK\$'000	HK\$'000
Management fee and bonus paid / payable to a related company	(a)	1,381	2,098
Brokerage fee paid / payable to a related company	(b)	73	—
		<u><u>1,381</u></u>	<u><u>2,098</u></u>

- (a) 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 and Mr. Ho Wai Ip, executive directors of the Company, has 60% and 4% indirect equity interests respectively in the Investment Manager.

- (b) Uni-Alpha Securities Limited provides brokerage services to the Company and is entitled to a brokerage fee of 0.25% of the transaction amounts.

Mr. Ngan Man Kit and Mr. Ho Wai Ip, executive directors of the Company, has 60% and 4% indirect equity interests respectively in Uni-Alpha Securities Limited.