

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 ("HKSA"). They have been prepared under the historical cost convention as modified by the valuation of investment in securities at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised): Presentation of financial statements

SSAP 11 (revised): Foreign currency translation

SSAP 15 (revised): Cash flow statements

SSAP 34 (revised): Employee benefits

Other than those disclosed in the respective notes to the consolidated accounts, the Group considers that the consequential changes made to the above SSAPs will not have material impact on the consolidated accounts of the Group.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)***(b) Consolidation** *(Continued)*

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. 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 and accumulated impairment losses. Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rate used for this purpose is 33 $\frac{1}{3}$ %.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(e) 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/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Where there is objective evidence that individual investments are impaired, the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

(ii) *Trading securities*

Trading securities are carried at fair value. At each balance sheet date, the net unrealised 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.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)***(f) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdraft.

(g) 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.

(h) 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.

(i) 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.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) *Profit sharing and bonus plans*

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) *Pension obligations*

The Group contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated at a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Company to the fund.

(l) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)***(m) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(n) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly to control the other party or exercise significant influence over the other party in making financial and operating decision or vice versa. Parties are also considered to be related if they are subject to common control or common significant influence.

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:

	2002 HK\$	2001 HK\$
Turnover		
Proceeds from sale of trading securities	38,667,190	46,446,974
Other revenues		
Interest income	879,659	2,807,827
Dividend income from investments in securities	2,173,968	582,960
Other income	10,000	–
	<u>3,063,627</u>	<u>3,390,787</u>
Total revenues	<u>41,730,817</u>	<u>49,837,761</u>

All of the Group's turnover, contribution to operating profit, assets and liabilities are attributable to the investment in listed and unlisted companies and accordingly no analysis of the Group's turnover, contribution to operating profit, assets and liabilities by principal activities is provided.

No geographical analysis is presented as none of the Group's turnover, contribution to operating profit, assets and liabilities is attributable to markets outside Hong Kong.

3 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2002 HK\$	2001 HK\$
<i>Crediting</i>		
Gain on disposal of a subsidiary	–	4,623
<i>Charging</i>		
Auditors' remuneration	150,000	150,000
Depreciation	311,820	343,014
Loss on disposal of subsidiaries	1,806,190	–
Staff costs, including directors' remuneration	1,978,764	2,067,657
Operating leases – land and buildings	479,781	508,709
Retirement benefit costs (note 8)	51,388	47,888

4 FINANCE COSTS

	2002 HK\$	2001 HK\$
Interest on bank overdraft	23,492	–

5 TAXATION

- (a) Hong Kong profits tax has not been provided in these accounts as the Group has no estimated assessable profit during the year (2001: nil).

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

	2002 HK\$	2001 HK\$
Overprovision in prior year	–	(9,007)

- (b) At 31st December 2002 and 31st December 2001, there was no material unprovided deferred taxation.

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$500,527 (2001: HK\$1,126,057).

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\$520,547 (2001: HK\$1,114,065).

The basic earnings per share is based on the weighted average of 200,000,004 (2001: 200,000,004) ordinary shares in issue during the year. The number of ordinary shares in issue during the current and prior years has been adjusted retrospectively after taking into account the one to one bonus issue of shares of the Company effected on 24th May 2002. The diluted earnings per share is based on 200,146,689 (2001: 201,344,116) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average of 146,685 (2001: 1,344,112) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

8 RETIREMENT BENEFIT COSTS

The Group contributes to a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Scheme Ordinance (the "MPF Ordinance") which is available to all qualifying employees of the Group. Under the MPF Scheme, the Group's contributions are at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The retirement benefit costs charged to the profit and loss account represent contributions paid and payable by the Group to the MPF Scheme.

During the year, the Group's contribution charged to the profit and loss account, amounted to HK\$51,388 (2001: HK\$47,888). As at 31st December 2002, there were no contributions payable to the MPF Scheme (2001: Nil).

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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(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:

	2002 HK\$	2001 HK\$
Fees	69,000	120,000
Other emoluments		
Basic salaries, housing allowances, other allowances and benefits in kind	1,702,000	1,572,000
Contribution to pension schemes	42,000	34,600
	<u>1,813,000</u>	<u>1,726,600</u>

Directors' fees disclosed above include HK\$69,000 (2001: HK\$48,000) paid to independent non-executive directors.

All emoluments of directors fell within the emolument band of HK\$Nil to HK\$1,000,000 for the year ended 31st December 2002 and 2001.

None of the directors waived any emoluments in respect of the years ended 31st December 2001 and 2002.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2001: three) directors whose emoluments are reflected in the analysis presented in note 9(a) above. The emoluments payable to the remaining two individuals for 2001 were as follows:

	2002 HK\$	2001 HK\$
Basic salaries, housing allowances, other allowances and benefits in kind	<u>–</u>	<u>205,696</u>

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(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. According to the Scheme and pursuant to a directors' meeting held on 27th May 2002, the number of option shares granted to each of the then option holders was increased to 4,000,000 shares while the exercise price was adjusted to HK\$0.33 per share, consequent to the issuance of additional shares (note 15(b)) by way of capitalisation of share premium. Details of the share options granted to the directors are as follows:

Name of director	Options held at 1st January 2002	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options held at 31st December 2002	Exercise price HK\$	Grant date
Mr. NGAN Man Kit	4,000,000	-	-	-	4,000,000	0.33	15th February 2000
Mr. HO Wai Ip	4,000,000	-	-	4,000,000	-	0.33	15th February 2000
Mr. WU Ting Yat, Timmy	4,000,000	-	-	4,000,000	-	0.33	15th February 2000

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

10 FIXED ASSETS

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	Group and Company				
	Leasehold improvement	Office equipment	Furniture and fixtures	Motor vehicle	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Cost					
At 1st January 2002	160,070	80,260	338,659	462,164	1,041,153
Additions	81,530	61,028	163,681	–	306,239
Disposals	(160,070)	(83,040)	(338,659)	(462,164)	(1,043,933)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st December					
2002	81,530	58,248	163,681	–	303,459
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Accumulated depreciation					
At 1st January 2002	106,713	57,293	219,433	154,055	537,494
Charge for the year	53,593	31,122	111,564	115,541	311,820
Disposals	(146,731)	(78,053)	(303,744)	(269,596)	(798,124)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st December					
2002	13,575	10,362	27,253	–	51,190
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value					
At 31st December					
2002	67,955	47,886	136,428	–	252,269
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st December					
2001	53,357	22,967	119,226	308,109	503,659
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

11 INVESTMENTS IN SUBSIDIARIES

	Company	
	2002 HK\$	2001 HK\$
Investments at cost		
Unlisted shares	80	156
Loans to subsidiaries	21,435	4,041,379
	<u>21,515</u>	<u>4,041,535</u>

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

The following is a list of the subsidiaries held directly by the Company at 31st December 2002:

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held
Sunny Right Investment Limited	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%
Moving Target Co., Ltd.	The British Virgin Islands	Investment holding	10 ordinary shares of US\$1 each	100%

12 INVESTMENT SECURITIES

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	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Equity securities, at fair value				
Listed in Hong Kong	84,853,388	19,200,000	84,853,388	19,200,000
Unlisted	–	4,000,000	–	–
	<u>84,853,388</u>	<u>23,200,000</u>	<u>84,853,388</u>	<u>19,200,000</u>
Market value of listed equity securities	<u>84,853,388</u>	<u>19,200,000</u>	<u>84,853,388</u>	<u>19,200,000</u>

As at 31st December 2002, the carrying amounts of interests in the following companies 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 receivable
			Acquisition cost HK\$	At market value HK\$		
Asia Standard International Group Limited	Bermuda	Ordinary shares of HK\$ 0.1 each	17,375,000	17,220,000	1.50%	–
China United Holdings Limited	Bermuda	Ordinary shares of HK\$0.01 each	12,741,200	43,279,500	9.39%	1,615,768
Qualipak International Holdings Limited	Bermuda	Ordinary shares of HK\$ 0.01 each	20,283,950	16,998,800	2.55%	–

12 INVESTMENT SECURITIES (Continued)

Particulars of the above major investment securities are as follows:

Asia Standard International Group Limited ("Asia Standard") is principally engaged in property sales and investment, hotel and management services businesses. Based on the 2002 annual report of Asia Standard, the loss attributable to shareholders of Asia Standard for the year ended 31st March 2002 was approximately HK\$481,365,000 and the net assets of Asia Standard as at 31st March 2002 were approximately HK\$4,143,738,000.

China United Holdings Limited ("China United") is principally engaged in property investment and development, investment holding, provision of internet services, investment in marketable securities and the provision of brokerage and financial services and the manufacture and distribution of laminated PVC steel plates and fire-proof materials. Based on the 2001 annual report of China United, the loss attributable to shareholders of China United for the year ended 31st December 2001 was approximately HK\$331,560,000 and the net assets of China United as at 31st December 2001 were approximately HK\$428,354,000.

Qualipak International Holdings Limited ("Qualipak") is principally engaged in the design, development, manufacture and sale of packaging products for designer label items and luxury consumer goods, point-of-sale display units and office stationery. Based on the 2001 annual report of Qualipak, the profit attributable to shareholders of Qualipak for the year ended 31st December 2001 was approximately HK\$24,440,000 and the net assets of Qualipak as at 31st December 2001 were approximately HK\$316,277,000.

13 TRADING SECURITIES

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Equity securities, at fair value				
Listed in Hong Kong	<u>49,787,500</u>	<u>15,464,850</u>	<u>49,787,500</u>	<u>15,464,850</u>
Market value of listed equity securities	<u>49,787,500</u>	<u>15,464,850</u>	<u>49,787,500</u>	<u>15,464,850</u>

13 TRADING SECURITIES (Continued)

At 31st December 2002, the carrying amounts of interests in the following companies, which were all listed equity securities and were acquired during the year, 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\$		
Heritage International Holdings Limited	Bermuda	Ordinary shares of HK\$0.01 each	13,000,000	15,750,000	5.51%	-
Radford Capital Investment Limited	Cayman Islands	Ordinary shares of HK\$0.02 each	17,250,000	19,800,000	3.92%	-

Particulars of the above major trading securities are as follows:

Heritage International Holdings Limited ("Heritage") is principally engaged in property investment and development. Heritage also diversified its businesses into the investments of high value-added technology-related businesses. Based on the 2002 annual report of Heritage, the loss attributable to shareholders of Heritage for the year ended 31st March 2002 was approximately HK\$238,073,000 and the net assets of Heritage as at 31st March 2002 were approximately HK\$26,876,000.

Radford Capital Investment Limited ("Radford") is principally engaged in investment holding. Its principal objective is to achieve earnings in the form of short to medium term capital appreciation mainly through investment in a diversified portfolio of listed or unlisted enterprises in Hong Kong or the People's Republic of China. Based on the initial public offer/placing document issued by Radford on 15th February 2002, the pro forma net tangible assets of Radford were approximately HK\$173,000,000.

14 BANKING FACILITIES

As at 31st December 2002, the Group's and the Company's bank overdraft facilities amounting to HK\$15,000,000 were secured by all the Group's investment/trading securities.

15 SHARE CAPITAL

	Authorised ordinary shares of HK\$0.1 each	
	<i>No. of Shares</i>	<i>HK\$</i>
At 31st December 2000 and 2001	200,000,000	20,000,000
Increase in authorised ordinary share capital	200,000,000	20,000,000
At 31st December 2002	<u>400,000,000</u>	<u>40,000,000</u>

	Issued and fully paid ordinary shares of HK\$0.1 each	
	<i>No. of Shares</i>	<i>HK\$</i>
At 31st December 2000 and 2001	100,000,002	10,000,000
Issue of bonus shares	100,000,002	10,000,000
At 31st December 2002	<u>200,000,004</u>	<u>20,000,000</u>

Notes:

- (a) By an ordinary resolution passed on 24th May 2002, the authorised ordinary share capital of the Company was increased from HK\$20,000,000 to HK\$40,000,000 by the creation of 200,000,000 shares of HK\$0.1 each.
- (b) Also on 24th May 2002, a total of 100,000,002 bonus shares were allotted and issued on the basis of one bonus share for every one share held by the then registered shareholders, credited as fully paid by way of capitalisation from the Company's share premium account.

16 RESERVES

(a) Group

	Share premium <i>HK\$</i>	Investment revaluation reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
At 1st January 2001, as previously reported	84,031,922	8,100,000	6,785,248	98,917,170
Effect of adopting SSAP 9 (revised)	-	-	1,000,000	1,000,000
At 1st January 2001, as restated	84,031,922	8,100,000	7,785,248	99,917,170
Surplus on revaluation of investment securities	-	2,700,000	-	2,700,000
Profit for the year	-	-	1,114,065	1,114,065
2000 final dividend paid	-	-	(1,000,000)	(1,000,000)
At 31st December 2001	<u>84,031,922</u>	<u>10,800,000</u>	<u>7,899,313</u>	<u>102,731,235</u>
Representing:				
At 31st December 2001	84,031,922	10,800,000	6,899,313	101,731,235
2001 final dividend proposed	-	-	1,000,000	1,000,000
	<u>84,031,922</u>	<u>10,800,000</u>	<u>7,899,313</u>	<u>102,731,235</u>
At 1st January 2002	84,031,922	10,800,000	7,899,313	102,731,235
Surplus on revaluation of investment securities	-	12,290,522	-	12,290,522
Profit for the year	-	-	520,547	520,547
2001 final dividend paid	-	-	(1,000,000)	(1,000,000)
Issuance of bonus shares	(10,000,000)	-	-	(10,000,000)
At 31st December 2002	<u>74,031,922</u>	<u>23,090,522</u>	<u>7,419,860</u>	<u>104,542,304</u>

16 RESERVES (Continued)

(b) Company

	Share premium HK\$	Investment revaluation reserve HK\$	Retained profits HK\$	Total HK\$
At 1st January 2001, as previously reported	84,031,922	8,100,000	6,814,791	98,946,713
Effect of adopting SSAP 9 (revised)	-	-	1,000,000	1,000,000
At 1st January 2001, as restated	84,031,922	8,100,000	7,814,791	99,946,713
Surplus on revaluation of investment securities	-	2,700,000	-	2,700,000
Profit for the year	-	-	1,126,057	1,126,057
2000 final dividend paid	-	-	(1,000,000)	(1,000,000)
At 31st December 2001	<u>84,031,922</u>	<u>10,800,000</u>	<u>7,940,848</u>	<u>102,772,770</u>
Representing:				
At 31st December 2001	84,031,922	10,800,000	6,940,848	101,772,770
2001 final dividend proposed	-	-	1,000,000	1,000,000
	<u>84,031,922</u>	<u>10,800,000</u>	<u>7,940,848</u>	<u>102,772,770</u>
At 1st January 2002	84,031,922	10,800,000	7,940,848	102,772,770
Surplus on revaluation of investment securities	-	12,290,522	-	12,290,522
Profit for the year	-	-	500,527	500,527
2001 final dividend paid	-	-	(1,000,000)	(1,000,000)
Issuance of bonus shares	(10,000,000)	-	-	(10,000,000)
At 31st December 2002	<u>74,031,922</u>	<u>23,090,522</u>	<u>7,441,375</u>	<u>104,563,819</u>

16 RESERVES (Continued)

(b) Company (Continued)

The Company had a distributable reserve of HK\$81,473,297 as at 31st December 2002 (2001: HK\$91,972,770), 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.

17 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash (outflow)/inflow from operations

	2002 HK\$	2001 HK\$
Operating profit	544,039	1,105,058
Depreciation	311,820	343,014
Loss/(gain) on disposal of a subsidiary	1,806,190	(4,623)
Unrealised holding gain on trading securities	(9,793,500)	(1,231,144)
Interest income	(879,659)	(2,807,827)
Dividend income	(2,173,968)	(582,960)
	<u>(10,185,078)</u>	<u>(3,178,482)</u>
(Increase)/decrease in trading securities	(28,535,340)	3,780,364
Decrease in deposits, prepayments and other receivables	15,637	337,624
Increase in sundry payables and accruals	315,363	34,858
	<u>315,363</u>	<u>34,858</u>
Net cash (outflow)/inflow from operations	<u><u>(38,389,418)</u></u>	<u><u>974,364</u></u>

17 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Sale of a subsidiary

	2002 HK\$	2001 HK\$
Net assets disposed of:		
Investments/trading securities	4,006,190	2,731,750
(Loss)/gain on disposal of a subsidiary	(1,806,190)	4,623
	<u>2,200,000</u>	<u>2,736,373</u>
Satisfied by:		
Cash	<u>2,200,000</u>	<u>2,736,373</u>

18 COMMITMENTS

Commitments under operating leases

At 31st December 2002, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

	2002 HK\$	2001 HK\$
Not later than one year	720,000	484,866
Later than one year and not later than five years	600,000	-
	<u>1,320,000</u>	<u>484,866</u>

19 RELATED PARTY TRANSACTIONS

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

	2002 HK\$	2001 HK\$
Management fee and bonus paid/payable to a related company (<i>note (a)</i>)	2,732,439	3,446,469
Brokerage fee paid/payable to a related company (<i>note (b)</i>)	364,430	30,721
Sale of fixed assets to related companies (<i>note (c)</i>)	<u>358,254</u>	<u>—</u>

Notes:

- (a) Pursuant to the Investment Management Agreement between the Company and Alpha Asset Investments Limited ("Alpha"), Alpha provides investment management services and general administrative services to the Group. Under this arrangement, Alpha 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.

Mr. NGAN Man Kit, an executive director of the Company, and Mr. HO Wai Ip, a former director of the Company, have 60% and 4% indirect equity interests respectively in Alpha.

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

Mr. NGAN Man Kit and Mr. HO Wai Ip have 60% and 4% indirect equity interests respectively in UASL.

- (c) During the year, the Company disposed certain fixed assets to Alpha and Uni-Alpha Management Company Limited ("UAM") based on the carrying value of those fixed assets.

Mr. NGAN Man Kit and Mr. HO Wai Ip have 60% and 4% indirect equity interests respectively in each of Alpha and UAM.

20 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 28th March 2003.