

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 14 May 2002 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 28 October 2002.

The principal place of business of the Company is located at 907–8, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

The Company is principally engaged in investing in listed and unlisted companies established and/or doing business in the Asia Pacific Region, mainly the People’s Republic of China, excluding Hong Kong and Macau (the “PRC”), Hong Kong and Asian countries.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAPs”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment securities and trading securities as explained in the respective accounting policies below.

#### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

- (a) income from securities trading, on a trade date basis;
- (b) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and
- (c) dividends, when the shareholders’ right to receive payment has been established.

#### **Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Company is the lessee, rentals payable under operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

## NOTES TO FINANCIAL STATEMENTS

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Retirement benefits scheme**

The Company operates a defined contribution Mandatory Provident Fund scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

#### **Share options scheme**

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Company’s operations. The financial impact of share options granted under the share option scheme is not recorded in the Company’s balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

#### **Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company’s Memorandum and Articles of Association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### **Impairment of assets**

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset’s recoverable amount is estimated. An asset’s recoverable amount is calculated as the higher of the asset’s value in use or its net selling price.

## NOTES TO FINANCIAL STATEMENTS

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Impairment of assets (continued)**

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for the revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

#### **Investment securities**

Investment securities are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis. These are determined by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases or projected cash flows of the securities or comparison of price/revenue ratios, price/earnings ratios and dividend yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities.

The gains or losses arising from changes in the fair value of an investment security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account in the period in which the impairment arises.

#### **Trading securities**

Trading securities are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

## NOTES TO FINANCIAL STATEMENTS

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

#### Foreign currency transactions

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

#### 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 decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

#### Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

### 3. TURNOVER

The Company did not generate any turnover during the period.

### 4. SEGMENT INFORMATION

The Company is principally engaged in investing in listed and unlisted companies. Accordingly, no further analysis by business segment is provided. No geographical analysis is presented as none of the Company's turnover, contribution to operating loss, assets or liabilities is attributable to locations other than the PRC and Hong Kong.

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### 5. LOSS FROM OPERATING ACTIVITIES BEFORE TAX

The Company's loss from operating activities before tax is arrived at after charging/(crediting):

|  | Period from<br>14 May 2002 (date<br>of incorporation)<br>to 31 December<br>2002<br>HK\$ |
|--|---|
| Minimum lease payments under operating leases in respect of land and buildings | 30,000  |
| Staff costs (excluding directors' remuneration — note 6):                      |   |
| Wages, salaries and other allowances   | 120,000   |
| Retirement benefits scheme contributions                                       | 2,000   |
|  | <u>122,000</u>  |
| Auditors' remuneration   | 160,000   |
| Interest income  | <u>(214,775)</u>  |

## NOTES TO FINANCIAL STATEMENTS

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**6. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES**

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

|  | <b>Period from<br/>14 May 2002 (date<br/>of incorporation)<br/>to 31 December<br/>2002<br/>HK</b> |
|--|---|
| <hr/>  |   |
| Fees:  |   |
| Executive directors  | —   |
| Independent non-executive directors                                      | 25,000  |
|  | <hr/>   |
|  | 25,000  |
| <hr/>  |   |
| Basic salaries, housing benefits, other allowances and benefits in kind: |   |
| Executive directors  | 280,000   |
| Independent non-executive directors                                      | —   |
|  | <hr/>   |
|  | 280,000   |
| <hr/>  |   |
| Retirement benefits scheme contributions:                                |   |
| Executive directors  | 6,000   |
| Independent non-executive directors                                      | —   |
|  | <hr/>   |
|  | 6,000   |
|  | <hr/>   |
|  | 311,000   |
| <hr/>  |   |

The remuneration of each of the directors fell within the Nil to HK\$1,000,000 band for the period.

There was no arrangement under which a director of the Company waived or agreed to waive any remuneration during the period.

## NOTES TO FINANCIAL STATEMENTS

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### 6. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

The five highest paid employees during the period included four directors, details of whose remuneration are disclosed above. The details of the remuneration of the remaining one non-director, highest paid employee, which fell within the Nil to HK\$1,000,000 band, are as follows:

|   | <b>Period from<br/>14 May 2002 (date<br/>of incorporation)<br/>to 31 December<br/>2002<br/>HK\$</b> |
|---|---|
| Basic salary, housing benefits, other allowances and benefits in kind | 120,000   |
| Retirement benefits scheme contributions                              | 2,000   |
|   | <hr/> 122,000   |

During the period, no emoluments were paid by the Company to the directors or the non-director, highest paid employee as an inducement to join, or upon joining the Company, or as compensation for loss of office.

### 7. TAX

Hong Kong profits tax has not been provided as the Company did not generate any assessable profits arising in Hong Kong for the period.

Deferred tax has not been provided as the Company did not have any significant timing differences for the period.

### 8. LOSS PER SHARE

The calculation of basic loss per share is based on the Company's net loss for the period attributable to shareholders of HK\$4,545,620 and the weighted average number of 34,665,603 ordinary shares in issue during the period.

The weighted average number of ordinary shares used to calculate the loss per share for the period ended 31 December 2002 comprised the 3,800,000 ordinary shares issued on incorporation of the Company (as adjusted for the effect of sub-division), the 1,620,000 ordinary shares issued prior to the listing of the Company and the 100,000,000 ordinary shares issued upon the listing of the Company's shares on the Stock Exchange as further detailed in note 12 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### 8. LOSS PER SHARE (continued)

A diluted loss per share amount for the period ended 31 December 2002 has not been presented as there were no potential ordinary shares in existence for the period.

### 9. INVESTMENT SECURITIES

|   | 2002<br>HK\$ |
|---|--------------|
| Unlisted equity securities outside Hong Kong, at fair value | 15,500,160   |

| Name                        | Place of establishment | Particulars of equity interest held | Investment value         |   | Percentage of interest held |
|-----------------------------|------------------------|-------------------------------------|--------------------------|---|-----------------------------|
|                             |                        |                                     | Acquisition cost<br>HK\$ | Fair value estimated by the directors<br>HK\$ |                             |
| 南通毅能達智能卡製造有限公司<br>（“南通毅能達”） | PRC                    | Registered capital                  | 15,500,160               | 15,500,160                                    | 24.00                       |

南通毅能達 is principally engaged in the production of smart cards for use in credit cards and data storage cards. The investment in 南通毅能達 is not equity accounted for under SSAP 10 “Accounting for investments in associates”. This is because the directors are of the opinion that the Company is not in a position to exercise significant influence over the financial and operating policies of 南通毅能達.

### 10. DEPOSIT FOR THE ACQUISITION OF INVESTMENT SECURITIES

In December 2002, the Company entered into a sale and purchase agreement with a PRC company with A shares listed on the Shanghai Stock Exchange (the “Vendor”) for the acquisition of a 13.09% equity interest (the “Interest”) in 北京綜藝達軟件技術有限公司 (“北京綜藝達”), a company established in the PRC, at a consideration of HK\$17,900,000 (the “Agreement”). As part of the terms of the Agreement, the Company has been granted a put option which confers on the Company a right to request the Vendor to buy back the Interest at the original acquisition cost of HK\$17,900,000 plus annual interest based on the PRC bank lending rate, in the case of any unforeseen legal problems in completing the transaction. Further, the Vendor has also guaranteed that the profit after tax of 北京綜藝達 will not be less than RMB16,500,000 for each of the three years ending 31 December 2003, 2004 and 2005. Any shortfall will be compensated to the Company through the pre-determined adjustment mechanism stipulated in the Agreement governing the Interest acquired by the Company. 北京綜藝達 is principally engaged in the research, development and sale of network commercial management software. As at the date of these financial statements, the registration of the Company’s equity interest in 北京綜藝達 with the relevant PRC authority is still in progress.



## NOTES TO FINANCIAL STATEMENTS

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### 10. DEPOSIT FOR THE ACQUISITION OF INVESTMENT SECURITIES (continued)

Having regard to a legal opinion from the Company's PRC legal advisor, the directors do not foresee any legal obstacles for 北京綜藝達 to complete the required registration process of the Interest in the Company's name with the relevant PRC authority.

### 11. TRADING SECURITIES

2002  
HK\$

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Listed equity securities in Hong Kong, at market value 24,162,070

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Particulars of the trading securities holding as at 31 December 2002, disclosed pursuant to the Listing Rules and Section 129 of the Hong Kong Companies Ordinance, are as follows:

| Name  | Place of establishment/<br>incorporation | Particular of equity interests held | Acquisition cost<br>HK\$ | Market value as at<br>31 December 2002<br>HK\$ | Percentage of interest held |
|---|--|-------------------------------------|--------------------------|--|-----------------------------|
| Jiangsu Nandasoft Company Limited ("Jiangsu Nandasoft") | PRC                                      | H shares                            | 11,146,160               | 13,179,420                                     | 2.77                        |
| AKuP International Holding Limited ("AKuP")             | Cayman Islands                           | Ordinary shares                     | 11,981,183               | 7,020,000                                      | 6.19                        |
| China Mobile (Hong Kong) Limited                        | Hong Kong                                | Ordinary shares                     | 2,002,974                | 1,984,850                                      | less than 0.01              |
| HSBC Holdings plc                                       | United Kingdom                           | Ordinary shares                     | 1,990,979                | 1,977,800                                      | less than 0.01              |

The market value of the Company's major trading securities holding as at the date of approval of these financial statements, which comprised mainly Jiangsu Nandasoft and AKuP, was approximately HK\$11,901,540.

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### 12. SHARE CAPITAL

|  | <b>2002</b> |
|--|-------------|
|  | <u>HK\$</u> |
| <hr/>  |             |
| Authorised:                                    |             |
| 3,000,000,000 ordinary shares of HK\$0.10 each | 300,000,000 |
| <hr/>  |             |
| Issued and fully paid:                         |             |
| 105,420,000 ordinary shares of HK\$0.10 each   | 10,542,000  |
| <hr/>  |             |

The following changes in the Company's authorised and issued share capital took place during the period from 14 May 2002 (date of incorporation) to 31 December 2002:

- (i) On incorporation, the authorised share capital of the Company was HK\$380,000 divided into 380,000 ordinary shares of HK\$1.00 each, all of which were allotted and issued for cash at par to Megabase Developments Limited, Asset Home Group Limited, Wise Guard Enterprises Limited and Market Concord Holdings Limited (the "Shareholders") for general working capital purposes.

Megabase Developments Limited, Wise Guard Enterprises Limited and Asset Home Group Limited are beneficially owned by Mr. Chang Chu Fai, Johnson Francis, Mr. Lim Siang Kai and Mr. See Lee Seng, Reason, the executive directors of the Company, respectively. Market Concord Holdings Limited is owned by an independent third party.

- (ii) On 13 June 2002, the authorised share capital of the Company was increased from HK\$380,000 to HK\$300,000,000 by the creation of 299,620,000 ordinary shares of HK\$1.00 each. Each of the then issued ordinary shares in the share capital of the Company, having a par value of HK\$1.00 each, was sub-divided into 10 ordinary shares of HK\$0.10 each, ranking pari passu with the existing share capital of the Company.
- (iii) On 24 July 2002, each of the Shareholders subscribed for 405,000 shares, having a par value of HK\$0.10, for cash at the subscription price of HK\$1.00 each. The proceeds of the shares issued were subsequently used for the Company's general working capital purposes.
- (iv) On 24 October 2002, a total of 100,000,000 ordinary shares of HK\$0.10 each were issued at a price of HK\$1.00 per share to the public for a total cash consideration, before the related issue expenses, of HK\$100,000,000. Part of the net proceeds were subsequently applied to purchase investments according to the investment objectives and investment policies adopted by the Company. Dealings in the shares of the Company on the Stock Exchange commenced from 28 October 2002.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 12. SHARE CAPITAL (continued)

The excess of the proceeds over the par value of the shares issued was credited to the share premium account.

A summary of the above movements in the issued share capital of the Company is as follows:

|   | Notes | Number of<br>shares issued | Nominal<br>value of<br>shares issued<br>HK\$ |
|---|-------|----------------------------|--|
| Shares allotted and issued fully paid on incorporation  | (i)   | 380,000                    | 380,000                                      |
| Sub-division of each of the shares of HK\$1.00 each of the<br>Company into 10 shares of HK\$0.10 each | (ii)  | 3,800,000                  | 380,000                                      |
| New issue prior to listing  | (iii) | 1,620,000                  | 162,000                                      |
| New issue upon listing  | (iv)  | 100,000,000                | 10,000,000                                   |
| Share capital as at 31 December 2002  |       | 105,420,000                | 10,542,000                                   |

### 13. SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “SO Scheme”) on 7 October 2002 (the “Adoption Date”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Company’s operations. Eligible participants of the SO Scheme include any persons being employees, officers, agents, consultants or representatives of the Company. The SO Scheme became unconditional on 28 October 2002 upon the listing of the Company’s shares on the Stock Exchange and, unless otherwise cancelled or amended, will remain in force for 10 years from the Adoption Date.

The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options to any eligible participant in excess of this limit is subject to shareholders’ approval in a general meeting. The total number of shares which may be issued upon exercise of all share options to be granted must not represent more than 10% of the nominal amount of all the issued shares of the Company (“10% Limit”) as at the date on which trading in the shares of the Company on the Stock Exchange first commenced. The Company may seek approval from its shareholders in general meeting to refresh the 10% Limit at any time in accordance with the Listing Rules.

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue from time to time.

## NOTES TO FINANCIAL STATEMENTS

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### 13. SHARE OPTION SCHEME (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, are subject to the approval of the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to the shareholders' approval in a general meeting in accordance with the Listing Rules.

The offer of a grant of share options shall remain open for acceptance for a period of 28 days from the date of the offer of the grant. The grant of share options is effective upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of the Company's shares.

Further details of the SO Scheme are disclosed in the prospectus of the Company dated 15 October 2002.

At 31 December 2002 and up to the date of approval of these financial statements, no share options were granted under the SO Scheme.

### 14. RESERVES

|                                      | <b>Share<br/>premium<br/>account<br/>HK\$</b> | <b>Accumulated<br/>losses<br/>HK\$</b> | <b>Total<br/>HK\$</b> |
|--------------------------------------|---|--|-----------------------|
| New issue prior to listing — note 12 | 1,458,000                                     | —                                      | 1,458,000             |
| New issue upon listing — note 12     | 90,000,000                                    | —                                      | 90,000,000            |
| Share issue expenses                 | (6,181,251)                                   | —                                      | (6,181,251)           |
| Net loss for the period              | —   | (4,545,620)                            | (4,545,620)           |
| <b>At 31 December 2002</b>           | <b>85,276,749</b>                             | <b>(4,545,620)</b>                     | <b>80,731,129</b>     |

## NOTES TO FINANCIAL STATEMENTS

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### 14. RESERVES (continued)

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

### 15. CONTINGENT LIABILITIES

At 31 December 2002, the Company had no significant contingent liabilities.

### 16. OPERATING LEASE ARRANGEMENT

The Company leases certain of its leasehold land and buildings as office premises under an operating lease arrangement. The lease term for this property is eight months.

At 31 December 2002, the Company had total future minimum lease payments under a non-cancellable operating lease falling due as follows:

|                 | <b>2002</b> |
|-----------------|-------------|
|                 | <b>HK\$</b> |
| Within one year | 90,000      |

### 17. RELATED PARTY AND CONNECTED TRANSACTIONS

During the period, the Company had the following significant related party and connected transactions:

|  | Notes | <b>Period from<br/>14 May 2002 (date<br/>of incorporation)<br/>to 31 December<br/>2002<br/>HK\$</b> |
|--|-------|---|
| Investment management fee paid/payable to<br>Golden Honour Assets Management Limited | (i)   | 419,342   |
| Rental expenses paid to Ceres Capital Limited  | (ii)  | 30,000  |

## NOTES TO FINANCIAL STATEMENTS

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### 17. RELATED PARTY AND CONNECTED TRANSACTIONS (continued)

Notes:

- (i) Pursuant to the Investment Management Agreement dated 7 October 2002 entered into between the Company and Golden Honour Assets Management Limited (the "Investment Manager"), the Investment Manager has agreed to provide the Company with investment management services (excluding general administrative services) for a three-year period commencing from 28 October 2002, the date of the commencement of the trading of the Company's shares on the Stock Exchange. The Investment Management Agreement will continue for successive periods of three years each unless terminated at any time by either the Company or the Investment Manager serving not less than six months' notice in writing to the other party to expire on the last day of the three-year period or any of the relevant successive periods.

Under the Investment Management Agreement, the Investment Manager is entitled to a monthly management fee equivalent to 2.5% per annum of the net assets value of the Company as at the last dealing day on the Stock Exchange in each calendar month (or such other dealing day as considered appropriate by the board of directors for the purpose of calculating the net asset value of the Company), calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to an annual incentive fee equivalent to 15% of the surplus in the net assets value of the Company over a financial year or period.

Mr. Chang Chu Fai, Johnson Francis and Mr. Lim Siang Kai each have a 15% equity interest in the Investment Manager. Mr. See Lee Seng, Reason has a 35% equity interest in the Investment Manager and is one of the directors of the Investment Manager.

- (ii) Pursuant to the Sub-tenancy Agreement dated 30 August 2002 entered into between the Company and Ceres Capital Limited ("Ceres"), the Company agreed to sublet its office premises from Ceres, which is owned as to approximately 33% by Mr. Chang Chu Fai, Johnson Francis, for a period commencing from 1 November 2002 to 2 July 2003 (both dates inclusive) at HK\$15,000 per month.
- (iii) In December 2002, the Company acquired 13,326,000 shares in a company listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange from a non-director, senior management employee, who is also a shareholder of the Company, at a price of HK\$0.43 per share. The consideration represented approximately 12% discount to the then average closing market price of the shares of the target company for the last four trading days before the date of the transaction, as quoted on the GEM of the Stock Exchange. The 13,326,000 shares acquired by the Company represented approximately 1.43% of the issued share capital of the target company. The above transaction was approved by the board of directors, including the independent non-executive directors. The total consideration for the acquisition was approximately HK\$5,730,000 and the investment was included in the Company's trading securities as at the balance sheet date.

The related party transactions set out in (i) and (ii) above also constitute connected transactions under the Listing Rules.

### 18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 April 2003.