

**SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCE**

Facing difficult securities market situations for the past six months, the Group recorded a realised loss of HK\$3.4 million from sales of other investments during the period. In addition, the Company incurred an unrealised loss of HK\$1.9 million from the revaluation of other investments. The Company also made a provision of HK\$2.5 million for impairment losses on investment securities due to adverse results of certain investee companies in the advanced technology industry.

During the six months ended 30th June, 2002, the Group made two investments. The Group committed to an investment of HK\$11 million in the Teddy Bear Kingdom which is the first and largest indoor theme park in Hong Kong. The theme park occupies an area of over 60,000 square feet, comprising of various educational and recreational facilities such as a teddy bear museum, an entertainment centre, an educational centre, a cyber cafe, a picnic place and a merchandise shop. The Group expects this investment to contribute positively to its shareholders in the near future. As at 30th June, 2002, the amount of investment made by the Group in the Teddy Bear Kingdom amounted to HK\$5.9 million.

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Reinforced by the successful experience gained from our investment in a money lending company last year, the Group invested HK\$27 million in another money lending company in Hong Kong which focused on the consumer market. The Group believes that this business will continue to yield high returns for the Group.

During the period, the Group received a cash dividend of HK\$0.6 million from One. Tel Holdings Limited, an IDD service provider. Looking forward, the Group anticipates that its investment in Chief Finance Limited, a money lending licensee, will yield higher returns this year. Challenger Services Limited, another significant investments, has recaptured its market share in the vehicle beauty service industry and is expected to make improvement in operating performance this year. The performance of our investments in information technology is still unsatisfactory. Most of these technology companies are still adversely affected by the weak global economy. The Group will place greater emphasis on the investments in traditional business to obtain better returns in the future.

**CHANGES IN COMPOSITION OF THE ENTERPRISE  
DURING THE INTERIM PERIOD**

During the period, the Group has made indirect investments of HK\$5.9 million in an associated company which operates the Teddy Bear Kingdom and incorporated a wholly owned subsidiary to hold a new investment of HK\$27 million in a new money lending company.

**SEASONALITY/CYCLICALITY OF INTERIM OPERATIONS**

The management is not aware of any significant seasonal and cyclical factors which affect the Group's interim operations and results.

**EMPLOYMENT AND REMUNERATION POLICIES**

As at 30th June, 2002, the Group employed a total of 8 full-time employees, including the directors of the Group. Employees' remuneration are fixed and determined with reference to the market remuneration. Other staff benefits including insurance, retirement benefit and share option scheme are also provided to the employees. Details of share option scheme are shown in the following section.

**SHARE OPTIONS**

Share options may be granted to the Group's directors and employees under the "Share Option Scheme" approved by shareholders at an annual general meeting on 22nd May, 2000. On 1st August, 2000, 74,500,000 share options were granted to the directors and employees ("the Grantees") at an aggregate consideration of HK\$11. The directors and employees are entitled to exercise their options at a price of HK\$0.24 and HK\$0.22 per share respectively prior to 31st July, 2003. The Group considers that the Share Option Scheme enables the directors and employees to enjoy the benefits of their contribution to the business and the long term development of the Group. If all outstanding share options had been subscribed, the Group would have issued 73,000,000 new shares which represents 7.5% of enlarged share capital as at 30th June, 2002.

Details of the share options outstanding as at 30th June, 2002 which have been granted under the Share Option Scheme are as follows:

	Number of options			Exercise price HK\$
	held at 1st January, 2002	lapsed during the period	held at 30th June, 2002	
Director Mr. Lee Fong Lit	18,000,000	–	18,000,000	0.24
Director Dr. Chow Pok Yu	18,000,000	–	18,000,000	0.24
Directors of the Group's subsidiaries	17,000,000	–	17,000,000	0.22
Continuous contracting employees	13,500,000	–	13,500,000	0.22
Former employee	8,000,000	1,500,000	6,500,000	0.22
Total	74,500,000	1,500,000	73,000,000	

*Note*

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- 1) All of the above options were granted on 1st August, 2000. They are exercisable from 1st August, 2000 to 31st July, 2003.
- 2) At the date before the options were granted, the market value per share was HK\$0.227.
- 3) No option was granted to nor exercised by the directors and employees during the period.
- 4) No option was cancelled during the period.

### EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group has no significant exposures to fluctuations in foreign exchange rates and, therefore, did not employ any financial instruments to hedge such exposures.