

Contents

	<i>Page</i>
CHAIRMAN'S STATEMENT	2
MANAGEMENT DISCUSSION AND ANALYSIS	4
NOTICE OF ANNUAL GENERAL MEETING	5
REPORT OF THE DIRECTORS	7
AUDITORS' REPORT	15
CONSOLIDATED PROFIT AND LOSS ACCOUNT	16
BALANCE SHEETS	17
CONSOLIDATED CASH FLOW STATEMENT	18
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	20
NOTES TO THE ACCOUNTS	21

I am pleased to present the Group's annual report and audited financial statements for the year ended 31st December 2002. The Group's consolidated turnover and profit attributable to shareholders for the year ended 31st December 2002 amounted to HK\$172 million and HK\$49 million respectively, representing a decrease of 43% and 25% from that of last year. The decrease in turnover is mainly due to the adoption of a more conservative strategy in securities trading and investment business.

BUSINESS REVIEW

Despite the contraction of the average daily turnover of the Hong Kong stock market from HK\$8,025 million to HK\$6,474 million, number of newly listed companies in 2002 substantially increased to 117 from 67 of last year. Benefited from the active IPO activities, we have completed four sponsorships of IPO in 2002 and recorded a remarkable growth in both advisory income and underwriting fee. Our Corporate Finance Division has been granted the FinanceAsia Awards of "The Best Small Cap IPO in 2002" for our outstanding performance in the listing of Harbin Brewery Group Limited. This recognition reinforces our belief in our strategy of assisting the fund raising of quality PRC companies with competent management and great potential of business growth.

2002 is another good year for the automotive industry in China as the sales of motor vehicle is continuing to grow rapidly. Being the leader in the vehicle instruments industry, Zhejiang Shaoxing Betung Instrument Company Limited reported impressive growth in both turnover and profit in the year.

Our subsidiary, Shanghai Zhong Chuang International Container Storage and Transportation Co. Ltd. ("ZCIC") is facing a very keen competition in Shanghai, especially in the container transportation business. Turnover was affected but ZCIC remains profitable in the year.

Goodbaby Child Products Co. Ltd. ("Goodbaby") recorded a steady growth in both turnover and profit attributable to shareholders mainly due to the increase in export sales.

The investee companies of China Assets (Holdings) Ltd. ("China Assets") continue to contribute stable return to China Assets in the year. In addition, the disposal of a toll road brought an additional income to China Assets. The performance of RBI Holdings Limited remains stable in the year.

PROSPECTS

The uncertainties over the economic performance in the United States and the likely continuation of deflation and high unemployment rate will continue to affect the corporate finance and stockbroking business. Despite of all the political and economic uncertainties, our Corporate Finance Division continues to adopt the strategy of seeking small to medium sized PRC companies with good quality to list in Hong Kong. Facing keen competition within the stock brokerage industry, more seminars and other promotion activities will be held to expand our client base.

To improve its profitability, ZCIC is redirecting its resources to the profitable business segments and adopting new procedures to control the cost. After obtaining an air freight forwarding licence in Shanghai, ZCIC is promoting its new service and expected to improve the performance by providing a full range of cargo transportation and freight forwarding services to our clients.

The Group has recently invested RMB35.6 million in a 50% owned joint venture to develop a SOHO type of properties in Shanghai Zhangjiang High-tech Park. Zhangjiang High-tech Park is located at the centre of Pudong that boasts convenient traffic location and superior geographical location. Shanghai's property market is developing healthily and we expect this investment will bring a new source of income to the Group.

The Group is also developing in Kunshan Economy & Technology Development District a four-star hotel which will be managed by Shangri-la. We believe that after the completion of the hotel at the end of 2004, it will bring a reasonable return and a steady cash flow to the Group.

With the accession to the WTO, the PRC economy continues to maintain its rapid growth trend and this will benefit the operation of Goodbaby and China Assets. By way of integrating internal and external resources, and strengthening of the management capability, we aim at improving the consolidated strength and competitiveness of various business segments, so as to ultimately achieve maximum return to the shareholders.

DIVIDEND

The Board recommended a final dividend of HK\$0.01 per share for the year ended 31st December 2002 in the forthcoming Annual General Meeting.

I would like to take this opportunity to express thanks on behalf of the Board to all our clients for their support and to our fellow Directors and staff members for their dedication and contribution.

LAO YUAN YI

Chairman and Managing Director

11th April 2003

RESULTS

For the year ended 31st December 2002, the Group recorded a turnover of HK\$172 million and profit attributable to shareholders of HK\$49 million as compared to HK\$298 million and HK\$65 million respectively in 2001. Basic earnings per share decreased from HK\$5.77 cents in 2001 to HK\$4.32 cents in 2002, down by 25%.

ACQUISITION OF A SUBSIDIARY

In December 2002, the Group acquired the entire interest of Shanghai Transvision Network Application Services Company Limited ("Transvision") at a total consideration of HK\$50,000,000. Transvision, its subsidiary and its associated company engage in the business of providing consultancy service on the provision of logistic information; to research and develop system software for logistics and insurance business; and to provide insurance brokerage service. The expertise of Transvision in logistics and insurance sectors in Shanghai is expected to contribute tremendously to the development of the Company's industry network and revenue base in Shanghai.

DISPOSAL OF LONG TERM LISTED SHARES

During the year, the Group disposed of some US listed shares which were held for long term investment purpose. The sale proceed and gain on the disposal amounted to approximately HK\$17.1 million and HK\$7.6 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The operation and investment activities of the Group were principally financed by internal resources. The Group's principal operations are mainly transacted and recorded in Hong Kong dollars and Renminbi. As at 31st December 2002, the Group had cash and bank balances of approximately HK\$254 million, investment in marketable securities of HK\$23 million and a gearing ratio (total liabilities excluding minority interest to shareholders' funds) of 3.7%. The Group's deposits are placed with our principal bankers at competitive time deposit interest rate.

PLEDGE OF ASSETS

Certain properties of the Group with an aggregate net book value of approximately HK\$93 million as at 31st December 2002 (2001: HK\$95 million) as well as fixed deposits of HK\$15 million (2001: HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$120 million (2001: HK\$120 million) granted to the Group.

EMPLOYEES

As at 31st December 2002, the Group employed 517 staff, of which 442 are located in the Chinese Mainland. Employee remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined contribution provident fund schemes and employee shares option scheme. Training courses are provided to staff where necessary.

Notice of Annual General Meeting



NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 19th Floor, Wing On House, 71 Des Voeux Road, Central, Hong Kong on Friday, 23rd May 2003 at 3:00 p.m. for the following purposes:

- 1 To receive and consider the audited financial statements and the Reports of the Directors and Auditors for the year ended 31st December 2002.
- 2 To re-elect those Directors retiring in accordance with the Articles of Association and fix their remuneration.
- 3 To declare a final dividend of HK\$0.01 per share for the year ended 31st December 2002.
- 4 To re-appoint the Auditors of the Company and to authorize the Board of Directors to fix their remuneration.
- 5 As special business to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT

- (a) the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase its shares subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
- (b) the total nominal amount of the shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue as at the date of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution, 'Relevant Period' means the period from the passing of this Resolution until the earlier of:
 - (i) the conclusion of the next annual general meeting;
 - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meetings; and
 - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held."
- 6 As special business to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT

- (a) the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to issue, allot and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which may require the exercise of such power, be and is hereby generally and unconditionally approved;

Notice of Annual General Meeting

- (b) the approval in paragraph (a) shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) otherwise than pursuant to a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) or the exercise of subscription rights under the share option scheme of the Company, the total nominal amount of share capital issued, allotted, disposed of or agreed conditionally or unconditionally to be issued, allotted or disposed of (whether pursuant to an option or otherwise) shall not in total exceed 20% of the total nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution, "Relevant Period" shall have the same meaning as in resolution no. 5(c)."

- 7 As special business to consider and, if thought fit, to pass with or without amendments the following resolution as an Ordinary Resolution:

"THAT conditional upon resolution no. 5 above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are purchased by the Company under the authority granted to the Directors as mentioned in resolution no. 5 above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to resolution no. 6 above."

By Order of the Board

LAO Yuan Yi

Chairman and Managing Director

Hong Kong, 11th April 2003

Registered Office:

Room 1903, Wing On House, 71 Des Voeux Road, Central, Hong Kong.

Notes:

1. The register of members of the Company will be closed from Tuesday, 20th May 2003 to Friday, 23rd May 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Monday, 19th May 2003.
2. Every member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the registered office of the Company not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

The Board of Directors submit their report together with the audited accounts for the year ended 31st December 2002.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associated companies and jointly controlled entities are set out in notes 14, 15 and 16 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS

The results for the year are set out in the consolidated profit and loss account on page 16.

DIVIDEND

The Board of Directors recommends the payment of a final dividend of HK\$0.01 per ordinary share, totalling HK\$11,733,237 (2001:HK\$16,969,856).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 23 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 13 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 22 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2002, calculated pursuant to section 79B of the Hong Kong Companies Ordinance, amounted to HK\$55,230,913 (2001: HK\$76,449,111).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries purchased or sold any of its securities listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") during the year ended 31st December 2002.

SHARE OPTION

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the Scheme, the Directors have the discretion to grant to employees and Directors of any member of the Group to subscribe for shares in the Company.

SHARE OPTION (Cont'd)

The maximum number of shares to the Scheme and any other schemes of the Company (including without limitation the 1994 Share Option Scheme) does not in aggregate exceed 30 percent of the shares in issue of the Company from time to time. The total number of shares may be issued upon exercise of all options to be granted under the Scheme must not exceed 113,132,370 shares, being 10 percent of shares in issue as at the date of approval of the Scheme by the Shareholders in the Annual General Meeting. The total number of options available for issue under the Scheme as at the date of the annual report is 113,132,370, representing approximately 9.64% of shares in issue of the Company as of that date.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1 percent of the issued share capital of the Company for the time being.

The consideration for the grant of an option is HK\$1.00. The Scheme participant is entitled to subscribe for shares during such period as may be determined by the Directors (which shall be less than 10 years from the date of the grant of the relevant option and commences six months after the date of grant) at the price to be determined by the Board of Directors but not less than the highest of the nominal value of the shares, the average of the official closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date on which the option is granted and the official closing price of the shares on the Stock Exchange on the date of grant.

Details of share options remain outstanding as at 31st December 2002 are as follows:—

	Options held at 1st January 2002	Options exercised during year	Options lapsed during year	Options held at 31st December 2002	Exercise Price HK\$	Date of Grant	Exercise Period
Directors:—							
Lao Yuan Yi	7,338,100	—	—	7,338,100	0.342	26/09/1995	26/03/1996-07/10/2005
	5,503,900	—	—	5,503,900	0.318	11/07/1996	11/01/1997-15/07/2006
	10,000,000	—	—	10,000,000	0.816	01/11/1997	01/05/1998-12/11/2007
Xin Shulin, Steve	2,534,980	—	—	2,534,980	0.453	26/01/1995	26/07/1995-09/02/2005
	838,640	—	—	838,640	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	—	—	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	4,464,000	—	—	4,464,000	0.283	08/07/1998	08/01/1999-15/07/2008

SHARE OPTION (Cont'd)

	Options held at 1st January 2002	Options exercised during year	Options lapsed during year	Options held at 31st December 2002	Exercise Price HK\$	Date of Grant	Exercise Period
Directors:—							
Yeung Wai Kin	2,401,560	—	—	2,401,560	0.453	26/01/1995	26/07/1995-09/02/2005
	1,494,304	—	—	1,494,304	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	—	—	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	6,980,000	—	—	6,980,000	0.283	08/07/1998	08/01/1999-15/07/2008
Hu Yi Ming	1,000,000	—	—	1,000,000	0.816	01/11/1997	01/05/1998-12/11/2007
	2,300,000	—	—	2,300,000	0.283	08/07/1998	08/01/1999-15/07/2008
Employees	266,840	—	—	266,840	0.453	26/01/1995	26/07/1995-09/02/2005
	4,101,712	—	—	4,101,712	0.318	11/07/1996	11/01/1997-15/07/2006
	1,050,000	—	(100,000)	950,000	0.816	01/11/1997	01/05/1998-12/11/2007
	1,812,000	—	(4,000)	1,808,000	0.283	08/07/1998	08/01/1999-15/07/2008
	<u>57,086,036</u>	<u>—</u>	<u>(104,000)</u>	<u>56,982,036</u>			

The above options granted are not recognised in the accounts until they are exercised. Rule 17.08 of the Listing Rules stipulates that the listed issuer is encouraged to disclose in its annual report and interim report the value of share options granted to the participants. The Directors consider it inappropriate to value the share options as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the share options based on various speculative assumptions would be meaningless and could be misleading to the shareholders.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

- Mr. LAO Yuan Yi
- Mr. XIN Shulin, Steve
- Mr. YEUNG Wai Kin
- Mr. HU Yi Ming
- Mr. XU Wei Ming
- * Prof. WOO Chia Wei
- * Mr. KWOK Lam Kwong, Larry
- Mr. JIANG Guo Fang (resigned on 24th May 2002)
- Mr. LU Wen Qing (resigned on 24th May 2002)

- * *Independent non-executive Directors*

Mr. Xu Wei Ming and Mr. Kwok Lam Kwong, Larry retire in accordance with the Company's articles of association and being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Messrs YEUNG Wai Kin, XIN Shulin, Steve and HU Yi Ming have service contracts with the Company which are not determinable within one year without payment of compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors of the Company and senior management of the Group are set out as follows (with age in brackets):—

Mr. Lao Yuan-Yi (57). Chairman & Managing Director. Joined the Company in 1993. Currently Chairman of China Assets (Holdings) Ltd, the Company's associated company which is listed on The Stock Exchange of Hong Kong Limited. Previously senior policy researcher at China's National Research Centre for Science & Technology and Social Development, senior staff officer with the PRC State Science & Technology Commission & the PRC Railway Ministry. Mr. Lao graduated from Shanghai Fudan University and obtained his Master's Degree from Harvard University.

Mr. Xin Shu-Lin, Steve (49). Appointed as Director of the Company in 1998. He joined the Company in 1994 as Executive Vice President in charge of direct investment. Previously Mr. Xin worked as registered Financial Planner for Merrill Lynch and Senior Financial Analyst and Partner for Vail Securities Inc in Vail Colorado. He graduated from Lanzhou University in 1982 and obtained his MBA degree from University of Denver in 1992. Mr. Xin is also director of China Assets (Holdings) Limited and RBI Holdings Limited, the Company's associated companies which are listed on The Stock Exchange of Hong Kong Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Mr. Yeung Wai-Kin (41). Appointed as Director of the Company in 1998. He is also Chief Financial Officer and Company Secretary of the Company. Mr. Yeung joined the Company in 1993 and has over 19 years experience in auditing, finance and management positions. He is also director of China Assets (Holdings) Limited and RBI Holdings Limited, the Company's associated companies which are listed in The Stock Exchange of Hong Kong Limited. Mr. Yeung possesses professional membership of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants and the Taxation Institute of Hong Kong. He has a bachelor's degree in law from Peking University.

Mr. Hu Yi-Ming (40). Appointed as Director of the Company in 1998. He joined the Group in 1996 as Managing Director of its Assets Management Division. Mr. Hu is currently the Managing Director of Public Holdings (Australia) Limited, the listed subsidiary of the Company in Australia. Prior to joining the Group, Mr. Hu was Vice President — Foreign Exchange of Banque Paribas, Hong Kong Branch. Mr. Hu graduated with a Bachelor of Economics degree from the Shanghai University of Finance and Economics. After his graduation, he gained extensive experience in money market dealing from several reputable corporations in PRC, USA and Singapore.

Mr. Xu Wei-Ming (56). Appointed as Director of the Company in 1998. Currently Managing Director of Shanghai Jing Long Business Co Ltd. He graduated from English Department of Shanghai Fudan University, got the Master of Arts of California State University, Sacramento in the United States. Before that, he served as a teacher in the Economic Administration Department of China Textile University.

Professor Woo Chia-Wei (65). Appointed as Independent Non-Executive Director in 1993. Currently Senior Advisor to the Shui On Holdings Limited. President Emeritus of the Hong Kong University of Science and Technology. Previously President, Provost, Department Chairman, and Professor of several prominent universities in the United States of America. He is also an independent non-executive director of several companies including Shanghai Industrial Holdings Limited and Legend Holdings Limited. He serves on the Commission on Strategic Development and Council of Advisors on Innovation and Technology of HKSAR, and the Chinese People's Political Consultative Conference.

Mr. Kwok Lam-Kwong, Larry (47). Appointed as Independent Non-Executive Director in 1995. Mr. Kwok is a practising solicitor in Hong Kong and is also qualified to practise as a solicitor in Australia, England and Singapore. He is also qualified as an accountant in Hong Kong and Australia. He graduated from the University of Sydney, Australia with bachelor's degrees in economics and laws respectively as well as a master's degree in laws. He is currently the Vice-Chairman of the Consumer Council, a member of the Hospital Governing Committee of the Princess Margaret Hospital, a member of the Criminal & Law Enforcement Injuries Compensation Boards and a member of the Trade and Industry Advisory Board in Hong Kong. He is also a member of the Political Consultative Committee of Guangxi of the People's Republic of China.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Cont'd)*

Mr. Wang Jun-Yan (33). Joined the Company in October 1997, is the Managing Director of First Shanghai Financial Holding Limited, an immediate holding company of the financial service division of the Group. He is also director of China Assets (Holdings) Limited, the Company's associated company which is listed in The Stock Exchange of Hong Kong Limited. Mr. Wang has more than 10 years experience in investment banking and securities industry. Mr. Wang holds a bachelor's degree with a major in International Trade from the Zhongshan University. He has also studied in a Ph.D. program of Finance in the City University of New York.

Mr. Mo Siu-Lun, Henry (40). Joined the Company in January 2000 as Chief Information Officer of the Group. Mr. Mo has over 20 years of managerial and technical experience in the information technology, manufacturing and marketing communication sector. Prior to joining the Group, he had held various management positions with major public listed companies. He obtained his Postgraduate Diploma in Engineering Management from City University of Hong Kong, a Master's Degree in Manufacturing Systems Engineering from Warwick University of the United Kingdom and a Master's Degree in Electronic Business from City University of Hong Kong.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARE EQUITY OR DEBT SECURITIES

At 31st December 2002, the interests of the Directors in the shares and options of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register maintained by the Company under Section 29 of SDI Ordinance or as notified to the Company are as follows:—

Name of Directors	Number of ordinary shares		
	Personal interests	Family interests	Corporate interests
Mr. Lao Yuan-Yi	42,080,000	—	75,308,000
Prof. Woo Chia-Wei	—	72,000	—

Arrangement on share options granted to Directors are set out in the previous part of this report. Saved as disclosed above, none of the Directors had any interests in the shares and options of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31st December 2002.

DIRECTORS' INTERESTS IN SHARE EQUITY OR DEBT SECURITIES *(Cont'd)*

Apart from the share option scheme as mentioned in previous part of this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive (including their spouse and children under 18 years of age) of the Company and its associated corporations, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31st December 2002, the Company had been notified of the following substantial shareholder's interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executive.

Name of shareholder	Number of ordinary shares in the Company
China Assets (Holdings) Limited ("China Assets")	238,032,000

China Assets is a Hong Kong listed company which is also an associated company of the Group. Apart from the above, so far as the Directors are aware, there are no parties which were, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital of the Company as at 31st December 2002.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers respectively are both less than 30% for 2002 and 2001.

FIVE YEAR FINANCIAL SUMMARY

The summary of assets, liabilities and results of the Group for the last five financial years is as follows:—

	2002	2001	2000	1999	1998
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	1,254,449	1,228,273	1,108,722	1,043,037	1,261,502
Total liabilities (Including minority interests)	95,002	124,393	113,552	107,814	422,823
Total net assets	1,159,447	1,103,880	995,170	935,223	838,679
Turnover	171,614	298,332	289,810	719,455	914,009
Profit/(loss) attributable to shareholders	48,929	64,790	58,379	54,321	(143,029)
Earnings/(loss) per share					
— basic	4.32 cents	5.77 cents	5.20 cents	5.10 cents	(13.92 cents)
— fully diluted	4.27 cents	5.70 cents	5.17 cents	5.08 cents	N/A

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the Directors, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year, except that the independent non-executive Directors of the Company are not appointed for specific terms and are subject to re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors was established on 27th December 1998 and the Company has appointed the two independent non-executive Directors of the Company, Prof. Woo Chia Wei and Mr. Kwok Lam Kwong, Larry as members of the Audit Committee. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. Three meetings were held during the current financial year.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LAO Yuan Yi

Chairman and Managing Director

Hong Kong, 11th April 2003



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

**Auditors' Report to the Shareholders of
First Shanghai Investments Limited**

(incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 16 to 68 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the Directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 11th April 2003

Consolidated Profit and Loss Account

For the year ended 31st December 2002

	Notes	2002 HK\$	2001 HK\$
Turnover	2	171,614,459	298,331,527
Cost of sales		(121,252,957)	(249,232,710)
Gross profit		50,361,502	49,098,817
Other revenue	2	5,247,321	8,962,528
Distribution costs		(49,349)	(68,200)
Administrative expenses		(68,569,290)	(74,946,109)
Other operating expenses		(6,448,581)	(8,183,117)
Other operating income		12,927,679	42,320,962
Operating (loss)/profit	3	(6,530,718)	17,184,881
Finance costs	4	(262,113)	(260,603)
Share of profits less losses of			
Associated companies	15	34,119,097	31,520,305
Jointly controlled entities	16	34,484,101	29,517,397
Profit before taxation		61,810,367	77,961,980
Taxation	6(a)	(12,842,567)	(11,821,386)
Profit after taxation		48,967,800	66,140,594
Minority interests		(38,809)	(1,350,432)
Profit attributable to shareholders	7	48,928,991	64,790,162
Dividend	8	11,733,237	16,969,856
Earnings per share			
— basic	9	4.32 cents	5.77 cents
— fully diluted	9	4.27 cents	5.70 cents

Balance Sheets

As at 31st December 2002

	Notes	Group		Company	
		2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Intangible assets	12	49,430,316	1,555,718	—	—
Fixed assets	13	146,577,820	154,993,006	420,187	—
Deposits for land		16,849,100	—	—	—
Investments in subsidiaries	14	—	—	694,021,652	597,910,396
Investments in associated companies	15	306,171,822	291,070,002	—	—
Investments in jointly controlled entities	16	260,941,101	237,341,309	115,995,466	112,378,159
Investment securities	17	92,371,995	81,414,103	59,570,676	59,380,773
Current assets					
Inventories	18	1,270,482	1,103,617	—	—
Other investments	19	22,498,682	20,192,868	7,523,050	7,523,050
Loans and advances		25,881,122	10,885,978	—	—
Accounts receivable and prepayments	20	63,260,322	107,751,720	2,113,482	2,184,035
Taxation recoverable	6(b)	1,120	51,439	—	—
Deposits with a banking subsidiary		—	—	9,967,926	9,809,073
Pledged bank deposits	26(a)	15,000,000	15,000,000	—	—
Bank balances and cash	26(b)	254,194,685	306,913,916	125,413,821	211,798,268
		382,106,413	461,899,538	145,018,279	231,314,426
Current liabilities					
Due to subsidiaries		—	—	103,646,611	80,975,789
Accounts payable and accruals	21	37,363,980	76,676,037	10,551,139	18,948,657
Taxation payable	6(b)	2,379,490	771,789	—	—
Bank loans and overdrafts, secured		2,835,037	3,343,832	—	—
		42,578,507	80,791,658	114,197,750	99,924,446
Net current assets		339,527,906	381,107,880	30,820,529	131,389,980
Total assets less current liabilities		1,211,870,060	1,147,482,018	900,828,510	901,059,308
Financed by:					
Share capital	22	234,664,741	226,264,741	234,664,741	226,264,741
Reserves	23	721,406,985	706,199,456	610,932,856	598,345,456
Retained profits					
Proposed final dividends	24	11,733,237	16,969,856	11,733,237	16,969,856
Other	24	191,641,957	154,446,203	43,497,676	59,479,255
Shareholders' funds		1,159,446,920	1,103,880,256	900,828,510	901,059,308
Minority interests		52,423,140	43,601,762	—	—
		1,211,870,060	1,147,482,018	900,828,510	901,059,308

On behalf of the Board

Lao Yuan Yi
Director

Yeung Wai Kin
Director

Consolidated Cash Flow Statement

For the year ended 31st December 2002

	Notes	2002 HK\$	Restated 2001 HK\$
Net cash outflow generated from operations	25(a)	(45,253,343)	(41,943,250)
Hong Kong profits tax paid		(84,518)	(2,165,916)
Overseas taxation paid		(290,713)	(1,192,386)
Interest paid on bank loans and overdrafts		(262,113)	(260,603)
Net cash outflow generated from operating activities		(45,890,687)	(45,562,155)
Investing activities			
Interest received		5,247,321	9,421,798
Dividends received from listed investments		367,396	466,466
Dividends received from jointly controlled entities and associated companies		37,531,270	49,405,801
Acquisition of a subsidiary	25(d)	(9,766,730)	—
Net proceeds from disposal of a subsidiary	25(e)	—	12,358,616
Acquisition of associated companies		—	(1,710,487)
Increase in investments in jointly controlled entities		(8,664,184)	—
Proceeds from disposal of partial interest in an associated company		714,622	—
Proceeds from disposal of jointly controlled entities		—	97,772,181
Loan granted to a jointly controlled entity		(3,617,307)	—
Repayment of a loan granted to a jointly controlled entity		—	1,185,184
Proceeds from disposal of fixed assets		341,793	23,436
Purchase of fixed assets		(2,043,932)	(11,112,026)
Payment for deposits for land		(16,849,100)	—
Purchases of investment securities		(34,028,578)	(7,770,316)
Proceeds from disposal of investment securities		31,727,355	6,299,612
Purchase of an intangible asset		—	(1,637,600)
Net cash inflow from investing activities		959,926	154,702,665

Consolidated Cash Flow Statement

For the year ended 31st December 2002

	<i>Note</i>	2002 <i>HK\$</i>	Restated 2001 <i>HK\$</i>
Net cash (outflow)/inflow before financing activities		(44,930,761)	109,140,510
Financing activities	25(b)		
Dividend paid		(16,969,856)	(16,690,500)
Issue of shares and exercise of share options		—	427,029
Share issue expenses		(12,600)	—
Repurchase of shares		—	(2,638,306)
Conversion of warrants		—	14,387,261
Increase in investment in a subsidiary from a minority shareholder		7,870,873	—
Net cash outflow from financing activities		(9,111,583)	(4,514,516)
Increase in bank deposits pledged		—	(2,000,000)
(Decrease)/increase in cash and cash equivalent		(54,042,344)	102,625,994
Cash and cash equivalents at 1st January		306,404,675	204,951,541
Effect of foreign exchange rate changes		1,832,354	(1,172,860)
Cash and cash equivalents at 31st December		254,194,685	306,404,675
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		254,194,685	306,913,916
Bank overdrafts		—	(509,241)
		254,194,685	306,404,675

Consolidated Statement of Changes in Equity

For the year ended 31st December 2002

	Share capital HK\$ (note 22)	Reserves HK\$ (note 23)	Retained profits HK\$ (note 24)	Total HK\$
As at 1st January 2002	226,264,741	706,199,456	171,416,059	1,103,880,256
Issue of shares	8,400,000	12,587,400	—	20,987,400
Share of post-acquisition reserves of associated companies and jointly controlled entities	—	755,258	—	755,258
Exchange differences on translation of the accounts of foreign subsidiaries, jointly controlled entities and associated companies	—	2,186,012	—	2,186,012
Deficit on revaluation of investment properties	—	(321,141)	—	(321,141)
Profit for the year	—	—	48,928,991	48,928,991
2001 final dividend paid and payable	—	—	(16,969,856)	(16,969,856)
As at 31st December 2002	234,664,741	721,406,985	203,375,194	1,159,446,920
As at 1st January 2001, as previously reported	222,755,941	651,970,361	103,735,212	978,461,514
Effect of adopting SSAP 9 (revised)	—	—	16,708,495	16,708,495
Effect of adopting SSAP 30	—	16,696,112	(16,696,112)	—
As at 1st January 2001, as restated	222,755,941	668,666,473	103,747,595	995,170,009
Exercise of share options	304,000	123,029	—	427,029
Exercise of warrants net of expenses	4,676,800	9,710,461	—	14,387,261
Reversal of goodwill previously written off on disposal of a subsidiary	—	1,837,823	—	1,837,823
Reversal of goodwill previously written off on disposal of jointly controlled entities	—	43,200,539	—	43,200,539
Realisation of warrant reserve upon lapse of warrants	—	(22,207,108)	22,207,108	—
Share of post-acquisition reserves of associated companies and jointly controlled entities	—	395,932	—	395,932
Exchange differences on translation of the accounts of foreign subsidiaries, jointly controlled entities and associated companies	—	3,000,307	—	3,000,307
Profit for the year	—	—	64,790,162	64,790,162
2000 final dividend paid and payable	—	—	(16,690,500)	(16,690,500)
Transfer from retained profits on repurchase of shares	—	1,472,000	(1,472,000)	—
Repurchase of shares	(1,472,000)	—	(1,166,306)	(2,638,306)
As at 31st December 2001	226,264,741	706,199,456	171,416,059	1,103,880,256

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated 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 except that, as disclosed in the accounting policies below, certain properties, investment properties and investments in securities are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are applicable to the Group and 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

The adoption of the above SSAPs do not have material effect on the consolidated accounts.

(b) Group accounting

(i) 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 Group controls the composition of the board of Directors, controls more than half the voting power or holds more than half of the issued share capital. 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 or change in status, as appropriate.

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

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 and also any related accumulated exchange fluctuation reserve.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Group accounting (Cont'd)

(i) Consolidation (Cont'd)

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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.

(ii) Jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(iii) Associated companies

An associated company is a company, not being a subsidiary or a jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Group accounting (Cont'd)

(iv) 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.

The balance sheet of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(c) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods larger than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(ii) Leasehold land and buildings in Hong Kong

In previous years the Group carried its leasehold land and buildings in Hong Kong at cost or at revalued amounts and revaluation surpluses or deficits are dealt with as movements in the revaluation reserve. Effective from 30th September 1995, no further revaluations have been carried out. The Group places reliance on paragraph 80 of SSAP 17 issued by the HKSA which provides exemption from the need to make regular revaluations for such assets.

1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(c) Fixed assets *(Cont'd)*

(iii) Leasehold land and buildings outside Hong Kong and other fixed assets

Leasehold land and buildings outside Hong Kong and other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

(iv) Construction-in-progress

Construction-in-progress comprises factories and office buildings under construction, production plant, machinery and other fixed assets under installation, and is stated at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any impairment losses. No depreciation is provided on construction-in-progress until such time as the relevant assets are completed and put into use.

(v) Depreciation of fixed assets

Leasehold land is depreciated over the period of the lease while other tangible fixed assets are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	Over the shorter of the term of the leases or 20 to 40 years
Furniture, fixtures and equipment	15% — 33 ¹ / ₃ %
Plant and machinery	10%
Motor vehicles	20%
Trucks	12.5%

Major costs incurred in restoring the fixed assets to their normal working conditions are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(c) Fixed assets (Cont'd)

(vi) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets other than investment properties 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 other than investment properties 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. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

(d) Intangible assets

(i) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/joint venture/associated company at the date of acquisition.

Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful economic life. Goodwill is amortised by equal annual instalments over its estimated useful economic life of 5 to 15 years.

Goodwill on acquisitions that occurred prior to 1st January 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the profit and loss account.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(d) Intangible assets (Cont'd)

(i) Goodwill/negative goodwill (Cont'd)

For acquisitions after 1st January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

For acquisitions prior to 1st January 2001, negative goodwill was taken directly to reserves on acquisition.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1st January 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

(ii) Trading right

The trading right of Hong Kong Futures Exchange Limited ('Futures Exchange trading right') is recognised as an intangible asset. It is stated at cost and amortised using the straight-line method over its estimated useful life of 10 years.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of an intangible asset, including goodwill previously eliminated against reserves, is assessed and written down immediately to its recoverable amount.

(e) 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.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(f) Investments in securities

(i) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(g) Inventories

Inventories comprise stocks and work-in-progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour, shipping costs and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Accounts receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(i) 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 overdrafts.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(j) 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.

(k) 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.

(l) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from container transportation and freight forwarding services, brokerage and commission, management and consultancy and advisory services rendered is recognised once the duties under the service contracts are performed and outcome of the transactions can be foreseen with reasonable certainty.

All transactions related to securities trading are recorded in the accounts based on trade dates. Accordingly, only those trade dates falling within the accounting year have been taken into account.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Operating lease rental income is recognised on a straight-line basis.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to accumulating compensated absences are recognised when they accrue to employees. A provision is made for the estimated liability for accumulating compensated absences as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to non-accumulating compensated absences are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

Provisions for profit sharing and bonus plans due wholly within twelve months after the balance sheet date 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.

(iii) Pension obligations

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

With effective from 1st December 2000, the Group's Hong Kong employees may elect to join the Mandatory Provident Fund (the "MPF"). The Group's contributions to the MPF are expensed as incurred and are 100% vested in the employees as soon as they are paid to the MPF but all benefits derived from the mandatory contributions must be preserved until the employee reaches the age of 65 subject to a few exceptions. The MPF is a defined contribution retirement scheme administered by independent trustees.

As stipulated by rules and regulations in the Chinese Mainland, the Group contributes to state-sponsored retirement plans for its employees in the Chinese Mainland. The Group contributes to the the retirement plans approximately 22.5% of the basic salaries of its employees, and has no further obligations for the actual payment of post-retirement benefits.

(iv) Equity compensation benefits

Share options are granted to Directors and to certain employees. The options granted are not recognised in the accounts until they are exercised. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(n) Segment reporting

In accordance with the Group's internal financial report, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, deposits for land, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude taxation. Capital expenditure comprises additions to intangible assets and fixed assets and including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in securities trading and investment, container transportation and freight forwarding services, corporate finance and stockbroking, investment holding, property holding and management. Revenues recognised during the year are as follows:

	2002 HK\$	2001 HK\$
Turnover		
Securities trading and investment	77,791,005	214,275,815
Container transportation and freight forwarding services	42,206,430	49,015,752
Corporate finance and stockbroking	50,716,287	33,461,295
Investment holding, property holding and management	900,737	965,120
Others	—	613,545
	171,614,459	298,331,527
Other revenue		
Interest income	5,247,321	8,962,528
Total revenues	176,861,780	307,294,055

Primary reporting format — business segments

The Group is organised into five main business segments:

- Securities trading and investment
- Container transportation and freight forwarding services
- Corporate finance and stockbroking
- Investment holding, property holding and management
- Sales of child products

Notes to the Accounts

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

Primary reporting format — business segments (Cont'd)

	Securities trading and investment	Container transportation and freight forwarding services	Corporate finance and stockbroking	Investment holding, property holding and management	Sales of child products	Group
	2002 HK\$	2002 HK\$	2002 HK\$	2002 HK\$	2002 HK\$	2002 HK\$
Turnover	77,791,005	42,206,430	50,716,287	900,737	—	171,614,459
Segment results	(5,559,266)	650,308	12,451,707	(19,320,788)	—	(11,778,039)
Interest income						5,247,321
Finance costs						(262,113)
Share of profits less losses of						
— Associated companies	—	—	—	7,723,607	26,395,490	34,119,097
— Jointly controlled entities	—	—	—	1,900,673	32,583,428	34,484,101
Profit before taxation						61,810,367
Taxation						(12,842,567)
Profit after taxation						48,967,800
Minority interests						(38,809)
Profit attributable to shareholders						48,928,991
Balance sheet						
Segment assets	29,822,049	102,604,218	75,152,946	479,755,311	—	687,334,524
Investments in associated companies	—	—	—	168,925,099	137,246,723	306,171,822
Investments in jointly controlled entities	—	—	—	37,104,910	223,836,191	260,941,101
Taxation recoverable						1,120
Total assets						1,254,448,567
Segment liabilities	475,442	9,114,185	135,079,488	(104,470,098)	—	40,199,017
Taxation payable						2,379,490
Total liabilities						42,578,507
Other information						
Capital expenditure	—	661,498	475,555	67,275,794	—	68,412,847
Depreciation	17,152	7,099,601	967,484	2,414,692	—	10,498,929
Amortisation charge	—	—	163,763	1,040,841	(2,958,379)	(1,753,775)

2. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Cont'd)*

Primary reporting format — business segments *(Cont'd)*

	Securities trading and investment 2001 HK\$	Container transportation and freight forwarding services 2001 HK\$	Corporate finance and stockbroking 2001 HK\$	Investment holding, property holding and management 2001 HK\$	Sales of child products 2001 HK\$	Others 2001 HK\$	Group 2001 HK\$
Turnover	214,275,815	49,015,752	33,461,295	965,120	—	613,545	298,331,527
Segment results	2,259,222	4,252,693	(2,061,828)	4,239,458	—	(467,192)	8,222,353
Interest income							8,962,528
Finance costs							(260,603)
Share of profits less losses of							
— Associated companies	—	—	—	3,110,366	28,409,939	—	31,520,305
— Jointly controlled entities	—	—	—	(2,431,758)	31,949,155	—	29,517,397
Profit before taxation							77,961,980
Taxation							(11,821,386)
Profit after taxation							66,140,594
Minority interests							(1,350,432)
Profit attributable to shareholders							64,790,162
Balance sheet							
Segment assets	15,410,066	89,708,643	120,180,851	473,934,846	—	576,520	699,810,926
Investments in associated companies	—	471,700	—	162,593,935	128,004,367	—	291,070,002
Investments in jointly controlled entities	—	—	—	26,442,543	210,898,766	—	237,341,309
Taxation recoverable							51,439
Total assets							1,228,273,676
Segment liabilities	2,318,256	11,526,592	45,447,681	20,727,340	—	—	80,019,869
Taxation payable							771,789
Total liabilities							80,791,658
Other information							
Capital expenditure	61,983	5,605,793	5,449,368	706,556	—	925,926	12,749,626
Depreciation	43,864	6,908,658	660,690	2,535,806	—	599,003	10,748,021
Amortisation charge	—	—	81,882	115,282	—	—	197,164

There are no sales or other transactions among the business segments.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Cont'd)*

Secondary reporting format — geographical segments

The Group operates in two main geographical areas:

- Hong Kong — Securities trading and investment, corporate finance and stockbroking, investment holding, property holding and management
- Chinese Mainland — Container transportation and freight forwarding services

	Turnover	Segment results	Total assets	Capital expenditure
	2002	2002	2002	2002
	HK\$	HK\$	HK\$	HK\$
Hong Kong	128,113,321	(8,072,821)	438,261,895	860,030
Chinese Mainland	42,936,162	(1,627,612)	216,031,164	67,490,501
Others	564,976	(2,077,606)	33,041,465	62,316
	<u>171,614,459</u>	<u>(11,778,039)</u>	687,334,524	<u>68,412,847</u>
Interest income		<u>5,247,321</u>		
Operating loss		<u>(6,530,718)</u>		
Investments in associated companies			306,171,822	
Investments in jointly controlled entities			260,941,101	
Taxation recoverable			<u>1,120</u>	
Total assets			<u>1,254,448,567</u>	

2. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Cont'd)*

Secondary reporting format — geographical segments *(Cont'd)*

	Turnover 2001 HK\$	Segment results 2001 HK\$	Total assets 2001 HK\$	Capital expenditure 2001 HK\$
Hong Kong	248,485,716	(8,060,071)	599,382,302	5,772,054
Chinese Mainland	49,383,373	21,472,104	69,060,394	6,953,370
Others	462,438	(5,189,680)	31,368,230	24,202
	<u>298,331,527</u>	<u>8,222,353</u>	699,810,926	<u>12,749,626</u>
Interest income		<u>8,962,528</u>		
Operating profit		<u>17,184,881</u>		
Investments in associated companies			291,070,002	
Investments in jointly controlled entities			237,341,309	
Taxation recoverable			<u>51,439</u>	
Total assets			<u>1,228,273,676</u>	

There are no sales among the geographical segments.

3. OPERATING (LOSS)/PROFIT

	Group	
	2002	Restated
	HK\$	2001
		HK\$
Operating (loss)/profit is stated after crediting and charging the following:		
Crediting		
Interest income	7,339,315	9,808,758
Dividend income from listed investments	367,396	466,466
Gross rental income from investment properties	214,707	771,074
Gain on disposal of investment securities	7,926,311	1,141,762
Gain on disposal of a subsidiary	—	10,117,145
Gain on disposal of partial interest in an associated company	118,851	—
Gain on disposal of jointly controlled entities	—	26,729,218
Gain on disposal of fixed assets	34,271	—
Net exchange gain	89,620	708,223
Amortisation of negative goodwill on acquisition of partial interest in a jointly controlled entity*	2,958,379	—
Charging		
Depreciation	10,498,929	10,748,021
Amortisation of trading right**	163,763	81,882
Amortisation of goodwill on acquisition of partial interest in a jointly controlled entity and an associated company **	226,631	115,282
Amortisation of goodwill on acquisition of a subsidiary**	814,210	—
Staff costs (note 5)	55,325,905	56,367,227
Direct expense in respect of container transportation and freight forwarding services	38,565,576	40,556,323
Operating leases rental in respect of land and buildings	1,645,466	2,063,579
Outgoings in respect of investment properties	160,670	167,078
Auditors' remuneration	1,266,625	1,008,356
Unrealised loss on revaluation of other investments	1,411,950	2,020,666
Provision for doubtful debts	3,566,544	613,193
Loss on disposal of fixed assets	—	163,226
Realised loss on portfolio management	—	3,913,897

* included in other operating income

** included in other operating expenses

4. FINANCE COSTS

	Group	
	2002 HK\$	2001 HK\$
Interest on bank loans and overdrafts	262,113	260,603

5. STAFF COSTS

Staff costs including Directors' remuneration comprise:

	Group	
	2002 HK\$	Restated 2001 HK\$
Wages, salaries and allowance	49,856,503	50,946,708
Medical and other benefits	2,348,717	2,604,009
Pension cost — defined contribution plans	3,120,685	2,816,510
	55,325,905	56,367,227

6. TAXATION

Hong Kong profits tax has been provided for at the rate of 16% (2001: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	Group	
	2002 HK\$	2001 HK\$
Hong Kong profits tax		
Current	2,302,036	386,569
Overprovision in previous year	(314,711)	(239,684)
Overseas taxation		
Current	106,548	954,249
Share of taxation attributable to:		
Associated companies	4,283,399	3,841,215
Jointly controlled entities	6,465,295	6,879,037
	12,842,567	11,821,386

6. TAXATION (Cont'd)

(b) The amount of taxation in the Group's balance sheet represents:

	Group	
	2002 HK\$	2001 HK\$
Recoverable		
Hong Kong	1,120	51,439
Payable		
Hong Kong	2,236,958	384,469
Overseas	142,532	387,320
	2,379,490	771,789

(c) No deferred tax asset has been recognised in the accounts as the Directors are uncertain whether this asset will crystallise in the foreseeable future. The major deferred tax assets and liabilities not recognised in these accounts are as follows:

	Group	
	2002 HK\$	2001 HK\$
Accelerated depreciation allowances	(1,318,000)	(7,793,000)
Tax losses not yet utilised	34,001,000	27,152,000
	32,683,000	19,359,000

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Included in the profit attributable to shareholders is a loss of HK\$4,248,342 (2001: loss of HK\$20,354,893) which is dealt with in the accounts of the Company.

8. DIVIDEND

	2002 HK\$	2001 HK\$
Final, proposed, of HK\$0.01 (2001: HK\$0.015) per ordinary shares	11,733,237	16,969,856

8. DIVIDEND *(Cont'd)*

Notes:

- (a) At a meeting held on 11th April 2003 the Directors declared a final dividend of HK\$0.01 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2003.
- (b) The previously recorded final dividends proposed after the balance sheet date but accrued in the accounts for the year ended 31st December 2000 was HK\$16,708,495. Under SSAP 9 (revised), this has been written back against opening retained profits as at 1st January 2001 in note 24 and are now charged in the period in which they were proposed.

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$48,928,991 (2001: HK\$64,790,162). The basic earnings per share is based on the weighted average number of 1,132,934,664 (2001: 1,123,511,672) shares in issue during the year. The diluted earnings per share is based on 1,146,827,368 (2001: 1,137,536,221) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 13,892,704 (2001: 14,024,549) shares deemed to be issued at no consideration if all outstanding share options had been exercised.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

The aggregate amounts of emoluments payable to Directors of the Company during the year are as follows:

	2002	2001
	HK\$'000	HK\$'000
Fees	540	540
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	6,008	5,388
Discretionary bonuses	4,220	6,356
Retirement scheme contributions	350	334
	11,118	12,618

Directors' fees disclosed above include HK\$540,000 (2001: HK\$540,000) paid to independent non-executive Directors.

Certain Directors of the Company have been granted options to acquire shares of the Company. Details of share options granted, exercised and lapsed during the year are disclosed in the Report of the Directors.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

(a) Directors' remuneration (Cont'd)

The emoluments of the Directors fell within the following bands:

Emolument bands HK\$	Number of Directors	
	2002	2001
0 — 1,000,000	6	6
1,000,001 — 1,500,000	—	—
1,500,001 — 2,000,000	1	—
2,000,001 — 2,500,000	1	—
2,500,001 — 3,000,000	—	2
3,000,001 — 3,500,000	—	—
3,500,001 — 4,000,000	—	—
4,000,001 — 4,500,000	—	—
4,500,001 — 5,000,000	—	—
5,000,001 — 5,500,000	—	—
5,500,001 — 6,000,000	—	—
6,000,001 — 6,500,000	1	1
	9	9

No Directors have waived emoluments in respect of the years ended 31st December 2002 and 2001.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2001: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2001: two) individuals during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,866	3,583
Discretionary bonuses	93	—
Retirement scheme contributions	74	102
	4,033	3,685

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Cont'd)*

(b) Five highest paid individuals *(Cont'd)*

The emoluments fell within the following bands:

Emolument bands <i>HK\$</i>	Number of individuals	
	2002	2001
0 — 1,000,000	—	—
1,000,001 — 1,500,000	—	—
1,500,001 — 2,000,000	1	1
2,000,001 — 2,500,000	1	1
	2	2

11. RETIREMENT BENEFIT COSTS

The Group operates defined contribution retirement schemes which are available to employees. The rates of contributions are 5% of basic salary from the employees and 5% to 10% from the employer depending on the length of service of the individuals. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The Group also contributes to retirement plans for its employees in the Chinese Mainland and overseas at a percentage in compliance with the requirements of the respective overseas authorities.

With effective from 1st December 2000, the Group's Hong Kong employees may elect to join the Mandatory Provident Fund. Both the employer and the employees have to contribute 5% of the employees' gross salary or HK\$1,000, whichever is lower.

Forfeited contributions totalling HK\$116,656 (2001: HK\$76,154) were utilised during the year. There is no outstanding balance as at the balance sheet dates of 2002 and 2001 available to reduce the contributions payable in the future years.

Contributions totalling HK\$75,732 (2001: HK\$71,260) were payable to the fund at the year-end and are included in accounts payable.

12. INTANGIBLE ASSETS

Group

	Goodwill <i>HK\$</i>	Future Exchange trading right <i>HK\$</i>	Total <i>HK\$</i>
Cost			
At 1st January 2002	—	1,637,600	1,637,600
Acquisition of a subsidiary (note 25(d))	48,852,571	—	48,852,571
At 31st December 2002	48,852,571	1,637,600	50,490,171
Accumulated amortisation			
At 1st January 2002	—	(81,882)	(81,882)
Charge for the year	(814,210)	(163,763)	(977,973)
At 31st December 2002	(814,210)	(245,645)	(1,059,855)
Net book value			
At 31st December 2002	48,038,361	1,391,955	49,430,316
At 31st December 2001	—	1,555,718	1,555,718

13. FIXED ASSETS

(a) Group

	Investment properties		Land and buildings		Furniture, fixtures and equipment	Plant and machinery	Motor vehicles and trucks	Construction- in-progress	Total
	Long-term leases in Hong Kong	Long-term leases outside Hong Kong	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong					
	HK\$	HK\$	HK\$	HK\$					
	HK\$	HK\$	HK\$	HK\$					
Cost or valuation									
At 1st January 2002	6,000,000	10,971,141	97,484,671	23,344,620	18,868,906	7,823,058	53,665,346	46,699	218,204,441
Exchange adjustment	—	—	—	—	1,811	—	—	—	1,811
Additions	—	—	—	187,234	892,421	—	847,314	116,963	2,043,932
Acquisition of a subsidiary (note 25(d))	—	—	—	—	967,039	—	126,791	—	1,093,830
Reclassifications	—	—	—	—	126,680	—	—	(126,680)	—
Disposals	—	—	—	—	(608,155)	—	(2,136,230)	—	(2,744,385)
Revaluation (note 23)	(300,000)	(21,141)	—	—	—	—	—	—	(321,141)
At 31st December 2002	5,700,000	10,950,000	97,484,671	23,531,854	20,248,702	7,823,058	52,503,221	36,982	218,278,488
Accumulated depreciation									
At 1st January 2002	—	—	8,882,416	9,376,007	9,964,268	2,244,621	32,744,123	—	63,211,435
Exchange adjustment	—	—	—	—	581	—	—	—	581
Charge for the year	—	—	1,256,256	1,689,269	2,212,265	716,582	4,624,557	—	10,498,929
Acquisition of a subsidiary (note 25(d))	—	—	—	—	408,833	—	17,753	—	426,586
Disposals	—	—	—	—	(343,120)	—	(2,093,743)	—	(2,436,863)
At 31st December 2002	—	—	10,138,672	11,065,276	12,242,827	2,961,203	35,292,690	—	71,700,668
Net book value									
At 31st December 2002	5,700,000	10,950,000	87,345,999	12,466,578	8,005,875	4,861,855	17,210,531	36,982	146,577,820
At 31st December 2001	6,000,000	10,971,141	88,602,255	13,968,613	8,904,638	5,578,437	20,921,223	46,699	154,993,006

13. FIXED ASSETS (Cont'd)

(a) Group (Cont'd)

The analysis of the cost or valuation at 31st December 2002 of the above assets is as follows:

	Investment properties		Land and building		Furniture, fixtures and equipment	Plant and machinery	Motor vehicles and trucks	Construction- in-progress	Total
	Long-term leases in Hong Kong	Long-term leases outside Hong Kong	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong					
	HK\$	HK\$	HK\$	HK\$					
At cost	—	—	844,231	23,531,854	20,248,702	7,823,058	52,503,221	36,982	104,988,048
At professional valuation									
— 1994	—	—	96,640,440	—	—	—	—	—	96,640,440
— 2002	5,700,000	10,950,000	—	—	—	—	—	—	16,650,000
	<u>5,700,000</u>	<u>10,950,000</u>	<u>97,484,671</u>	<u>23,531,854</u>	<u>20,248,702</u>	<u>7,823,058</u>	<u>52,503,221</u>	<u>36,982</u>	<u>218,278,488</u>

Investment properties were revalued at 31st December 2002 on the basis of their open market values by Chung, Chan & Associates, an independent firm of chartered surveyors. The revaluation deficit was debited to land and buildings revaluation reserve in shareholders' equity.

The carrying amount of the land and buildings in Hong Kong under long-term leases would have been HK\$41,665,909 (2001:HK\$42,936,866) had they been stated at cost less accumulated depreciation.

At 31st December 2002, the net book value of fixed assets pledged as security for the Group's long-term loans amounted to HK\$93,045,999 (2001:HK\$94,602,255).

The Group's interests in investment properties and land and buildings at their net book values are analysed as follows:

	2002 HK\$	2001 HK\$
In Hong Kong, held on Leases of over 50 years	<u>93,045,999</u>	<u>94,602,255</u>
Outside Hong Kong, held on Leases of over 50 years	<u>10,950,000</u>	10,971,141
Leases of between 10 to 50 years	<u>12,466,578</u>	<u>13,968,613</u>
	<u>23,416,578</u>	<u>24,939,754</u>

13. FIXED ASSETS (Cont'd)

(b) Company

	Motor vehicles HK\$
Cost	
Addition and at 31st December 2002	442,300
Accumulated depreciation	
Charge for the year and at 31st December 2002	22,113
Net book value	
At 31st December 2002	420,187

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2002 HK\$	2001 HK\$
Unlisted investments, at cost	33,690,664	33,690,664
Loans to subsidiaries	895,721,741	786,010,774
Less: provision for permanent diminution in value	(235,390,753)	(221,791,042)
	694,021,652	597,910,396

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

The following is a list of the principal subsidiaries as at 31st December 2002 (see note (a) below):

Name	Place of incorporation/ establishment	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
	<i>(see notes (b) and (c) below)</i>		2002	2001	
Shares held directly:					
First Shanghai Properties Limited	Hong Kong	16,500,002 ordinary shares of HK\$1 each	100%	100%	Property investment

14. INVESTMENTS IN SUBSIDIARIES *(Cont'd)*

Name	Place of incorporation/ establishment <i>(see notes (b) and (c) below)</i>	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2002	2001	
Shares held directly: <i>(Cont'd)</i>					
First Shanghai Management Services Limited	Hong Kong	1,200,000 ordinary shares of HK\$1 each	100%	100%	Agency, management and secretarial services
First Shanghai Nominees Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Nominee services
First Shanghai Direct Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Investment holding
* First Shanghai Financial Holding Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
* UAT Holdings Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	100%	Investment holding
* Asian & Pacific Commercial Bank Limited	Vanuatu	250,000 ordinary shares of A\$1 each 250,000 preference shares of A\$1 each	100%	100%	Banking services
First Shanghai Investment Management Limited	Hong Kong	1,000,000 ordinary shares of HK\$1 each	100%	100%	Financial advisory
* P.I. Investments Australia Pty. Limited	Australia	2,000,000 ordinary shares of A\$1 each	100%	100%	Securities investment

14. INVESTMENTS IN SUBSIDIARIES *(Cont'd)*

Name	Place of incorporation/ establishment <i>(see notes (b) and (c) below)</i>	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2002	2001	
Shares held directly: <i>(Cont'd)</i>					
* First Shanghai Finance Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Money lending
* First Information Technology Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
Shares/Investments held indirectly:					
First Shanghai Capital Limited	Hong Kong	12,000,000 ordinary shares of HK\$1 each	100%	100%	Corporate finance
First Shanghai Securities Limited	Hong Kong	30,000,000 ordinary shares of HK\$1 each	100%	100%	Stockbroking
CVIC International Container Transportation Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	100%	Investment holding
* China Tiger Investments Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Securities investment
* First Shanghai Hygienic Products Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
* Golad Resources Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	100%	Investment holding

14. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ establishment <i>(see notes (b) and (c) below)</i>	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2002	2001	
Shares/Investments held indirectly: (Cont'd)					
* Shanghai Zhong Chuang International Container Storage & Transportation Company Limited	Chinese Mainland	US\$ 10,457,447	54%	54%	Container transportation and freight forwarding
* Atlas Securities Pty. Limited	Australia	2 ordinary shares of A\$1 each	100%	100%	Securities investment
* Public Holdings (Australia) Limited (Listed in Sydney, Australia)	Australia	3,744,750 ordinary shares of A\$0.5 each	74.2%	74.2%	Securities investment
* P.H.A Investment Pty. Limited	Australia	60,000 ordinary shares of A\$2 each	74.2%	74.2%	Property investment
* P.H.A. Trading Pty. Limited	Australia	2 ordinary shares of A\$0.5 each	74.2%	74.2%	Securities investment
First Shanghai Futures Limited	Hong Kong	8,000,000 ordinary shares of HK\$1 each	100%	100%	Futures broking
China C&Y International Holdings Limited	Cayman Islands	160,000 ordinary shares of US\$1 each	100%	100%	Investment holding
* First Shanghai Fund Management Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	100%	Fund management

14. INVESTMENTS IN SUBSIDIARIES *(Cont'd)*

Name	Place of incorporation/ establishment <i>(see notes (b) and (c) below)</i>	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2002	2001	
Shares/Investments held indirectly: <i>(Cont'd)</i>					
* CT Prime Assets Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Securities investment
* First Shanghai Venture Capital Management Limited	Chinese Mainland	HK\$1,000,000	100%	100%	Venture capital management
* BonVision International Consulting Limited	Chinese Mainland	HK\$1,000,000	100%	100%	Financial consultancy
* BonVision Technology (Shanghai) Limited	Chinese Mainland	US\$200,000	100%	100%	Technology consultancy
* Fu Hai Digital Science & Technology (Shanghai) Company Limited	Chinese Mainland	US\$750,000	100%	100%	Property development
* Kunshan Traders Park Hotel Company Limited	Chinese Mainland	US\$12,000,000	65%	—	Hotel development
* Crimson Pharmaceutical (Shanghai) Company Limited	Chinese Mainland	US\$140,000	100%	—	Pharmaceutical services
* Shanghai Transvision Network Application Service Company Limited	Chinese Mainland	US\$1,800,000	100%	—	Information and consultancy services

14. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ establishment <i>(see notes (b) and (c) below)</i>	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2002	2001	

Shares/Investments held indirectly: (Cont'd)

* Shanghai Yi Hang Logistic Network Management Limited	Chinese Mainland	RMB2,000,000	73.39%	—	Logistics services
--	------------------	--------------	--------	---	--------------------

* Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 7% (2001: 8%) of the Group's net assets.

Notes:

- (a) The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results of the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.
- (b) The subsidiaries operate principally in their places of incorporation.
- (c) All the subsidiaries established in the Chinese Mainland are limited liability companies.

15. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2002 HK\$	2001 HK\$
Share of net assets	305,825,974	290,608,871
Goodwill on acquisition of an associated company less amortisation	345,848	461,131
	306,171,822	291,070,002
Investments at cost:		
Shares listed in Hong Kong	216,759,382	217,332,988
Unlisted	1,238,787	1,710,487
	217,998,169	219,043,475
Market value of listed shares	205,769,166	154,513,555

15. INVESTMENTS IN ASSOCIATED COMPANIES *(Cont'd)*

The following is a list of the principal associated companies as at 31st December 2002:

Name	Place of incorporation <i>(see note (b) below)</i>	Particulars of issued shares/ registered capital	Effective interests held indirectly		Principal activities
			2002	2001	
RBI Holdings Limited ("RBI") <i>(see note (a) below)</i>	Bermuda	368,320,000 ordinary shares of HK\$0.1 each	25.02%	25.58%	Manufacture of toys
China Assets (Holdings) Limited ("China Assets") <i>(see note (a) below)</i>	Hong Kong	74,383,160 ordinary shares of US\$0.1 each	33.8%	33.8%	Investment holding
China Assets Investment Management Limited (formerly known as China Assets Management Limited)	Hong Kong	1,000 ordinary shares of HK\$1 each	30.9%	30.9%	Management and investment advisory services

Notes:

- (a) RBI and China Assets are companies listed on The Stock Exchange of Hong Kong Limited.
- (b) The associated companies operate principally in their places of incorporation except for RBI which operates principally in Hong Kong.

15. INVESTMENTS IN ASSOCIATED COMPANIES (Cont'd)

Additional information in respect of the Group's major associated companies is given as follows:

RBI

	2002	2001
	HK\$'000	HK\$'000
Profit and loss account		
Turnover	605,405	561,167
Profit before taxation	104,237	103,188
Balance sheet		
Long-term assets	297,776	268,159
Current assets	345,288	325,701
Current liabilities	(88,518)	(90,284)
Long-term liabilities	(4,823)	(3,168)
Net assets	549,723	500,408
Group's share of profit before taxation	26,395	28,410

China Assets

	2002	2001
	HK\$'000	HK\$'000
Profit and loss account		
Turnover	1,563	2,896
Profit before taxation	34,979	24,362
Balance sheet		
Long-term assets	506,135	549,709
Current assets	135,353	61,279
Current liabilities	(6,684)	(5,642)
Net assets	634,804	605,346
Group's share of profit before taxation	7,827	2,774

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Share of net assets	267,124,578	237,341,309	—	—
Unlisted investments at cost	—	—	112,378,159	112,378,159
Loans to a jointly controlled entity	3,617,307	—	3,617,307	—
Goodwill on acquisition of jointly controlled entities less amortisation	(9,800,784)	—	—	—
	260,941,101	237,341,309	115,995,466	112,378,159

The loans to a jointly controlled entity are unsecured, interest-free and are payable within one year.

The following is a list of the principal jointly controlled entities as at 31st December 2002:

Name	Place of incorporation/ establishment and operation	Principal activities	Effective interest in ownership/voting power/profit sharing	
			2002	2001
Zhejiang Shaoxing Betung Instrument Company Limited ("Shaoxing Betung") <i>(see note (a) below)</i>	Chinese Mainland	Manufacture of motor vehicle meters and components	40.8%	40.8%
Goodbaby Bairuikang Hygienic Products Company Limited (formerly known as Goodbaby Paragon Hygienic Products Company Limited) ("Goodbaby Bairuikang") <i>(see note (b) below)</i>	Chinese Mainland	Production of diapers and related hygienic products	50%	30%
Geoby International Holdings Limited ("Geoby") <i>(see note (c) below)</i>	Cayman Islands	Investment holding	44.17%	44.17%

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(Cont'd)*

Name	Place of incorporation/ establishment and operation	Principal activities	Effective interest in ownership/voting power/profit sharing	
			2002	2001
Genius Technology International Limited ("GTI") <i>(see note (d) below)</i>	Hong Kong	Investment holding	41.80%	36.35%
Shanghai Huan Ya Insurance Agency Company Limited ("Huan Ya") <i>(see note (e) below)</i>	Chinese Mainland	Insurance agency	40%	—
Shanghai Zhangjiang Information Security Development Company Limited ("Zhangjiang") <i>(see note (f) below)</i>	Chinese Mainland	Property development	50%	—

Notes:

- (a) Shaoxing Betung was established as an equity joint venture in the Chinese Mainland in December 1993 for a term of 30 years.
- (b) Goodbaby Bairuikang was established as an equity joint venture in the Chinese Mainland in December 1997 for a term of 50 years.
- (c) Geoby was incorporated in the Cayman Islands as a limited liability exempted company on 14th July 2000 as a holding vehicle for Goodbaby Child Products Company Limited ("Goodbaby"). Pursuant to an agreement signed among the venturers of Goodbaby in July 2000, the venturers agreed to transfer all equity interest in Goodbaby to Geoby in return for a total of 27,093,200 shares of Geoby. Goodbaby was formerly a jointly controlled entity of the Group. There is no change in effective holding in Goodbaby by the Group after this restructuring. Goodbaby is engaged in the production of baby and infant items.
- (d) GTI had 90% equity interest in Shenzhen Genius Information Technology Company Limited ("Genius"). Genius was established as an equity joint venture in the Chinese Mainland in March 1994 for a term of 50 years. It is engaged in the provision of financial information services in the Chinese Mainland.
- (e) Huan Ya was established as an equity joint venture in the Chinese Mainland in March 2002 for a term of 20 years.
- (f) Zhangjiang was established as an equity joint venture in the Chinese Mainland in October 2002 for a term of 50 years.

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(Cont'd)*

Additional information in respect of the Group's major jointly controlled entity is given as follows:

Geoby

	2002 HK\$'000	2001 HK\$'000
Profit and loss account		
Turnover	922,426	875,204
Profit before taxation	68,634	92,182
Balance sheet		
Long-term assets	354,733	355,719
Current assets	664,167	757,388
Current liabilities	(545,262)	(572,451)
Long term liabilities	(33,842)	(136,152)
Net assets	439,796	404,504
Group's share of profit before taxation	30,316	40,716

17. INVESTMENT SECURITIES

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Listed shares and unit trusts				
— overseas <i>(a)</i>	12,801,319	22,033,330	—	—
Unlisted investment in fund				
— quoted in Hong Kong <i>(b)</i>	20,000,000	—	—	—
Unlisted investments <i>(c)</i>	59,570,676	59,380,773	59,570,676	59,380,773
	92,371,995	81,414,103	59,570,676	59,380,773

(a) Listed shares and unit trusts — overseas

	Group	
	2002 HK\$	2001 HK\$
Listed shares and unit trusts		
— overseas, at cost	12,840,837	59,273,253
Less: provision for permanent diminution in value	(39,518)	(37,239,923)
	12,801,319	22,033,330

During the year, the Group disposed a listed investment of carrying value of HK\$9,489,639 at a consideration of HK\$17,094,644.

17. INVESTMENT SECURITIES (Cont'd)**(a) Listed shares and unit trusts — overseas** (Cont'd)

	Group	
	2002 HK\$	2001 HK\$
Market value	12,418,737	16,069,778

(b) Unlisted investment in fund — quoted in Hong Kong

	Group	
	2002 HK\$	2001 HK\$
Market value	17,840,000	—

(c) Unlisted investments

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Shares and bonds, at cost	43,742,950	43,553,047	7,960,412	7,770,509
Less: provision for permanent diminution in value	(35,782,538)	(35,782,538)	—	—
	7,960,412	7,770,509	7,960,412	7,770,509
Loan	66,097,264	66,097,264	66,097,264	66,097,264
Less: provision for permanent diminution in value	(14,487,000)	(14,487,000)	(14,487,000)	(14,487,000)
	51,610,264	51,610,264	51,610,264	51,610,264
	59,570,676	59,380,773	59,570,676	59,380,773

18. INVENTORIES

	Group	
	2002 HK\$	2001 HK\$
Raw materials	1,270,482	1,103,617

At 31st December 2002 and 2001, all raw materials were stated at cost.

19. OTHER INVESTMENTS

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Equity securities, at fair value				
Listed shares				
— overseas	17,521	10,696	—	—
— Hong Kong	9,737,152	13,941,564	—	—
	9,754,673	13,952,260	—	—
Unlisted	12,744,009	6,240,608	7,523,050	7,523,050
Total	22,498,682	20,192,868	7,523,050	7,523,050

20. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	5,342,193	36,430,087	—	—
Trade receivables <i>(note)</i>	23,025,677	29,079,875	—	—
Bills receivable	7,001,224	4,103,060	—	—
Prepayments and deposits	8,591,995	16,898,323	868,504	885,307
Other receivables	19,299,233	21,240,375	1,244,978	1,298,728
	63,260,322	107,751,720	2,113,482	2,184,035

The ageing analysis of the trade receivables is as follows:

	Group	
	2002 HK\$	Restated 2001 HK\$
0 — 30 days	14,592,629	16,369,012
31 — 60 days	5,503,860	6,949,878
61 — 90 days	2,700,676	3,990,725
Over 90 days	228,512	1,770,260
	23,025,677	29,079,875

For securities business, trade receivables are on credit terms of trading day plus two days. For the remaining business of the Group, trade receivables are on credit terms of 30 to 60 days.

21. ACCOUNTS PAYABLE AND ACCRUALS

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Due to stockbrokers and dealers	—	1,225,000	—	—
Due to stockbroking clients	—	100,000	—	—
Trade payables <i>(note)</i>	7,068,650	37,922,022	—	—
Other accounts payable	20,040,606	21,794,897	4,646,321	12,027,845
Accruals	10,254,724	15,634,118	5,904,818	6,920,812
	37,363,980	76,676,037	10,551,139	18,948,657

The ageing analysis of the trade payables is as follows:

	Group	
	2002 HK\$	2001 HK\$
0 — 30 days	7,006,392	37,922,022
31 — 60 days	50,085	—
61 — 90 days	10,453	—
Over 90 days	1,720	—
	7,068,650	37,922,022

22. SHARE CAPITAL

	Ordinary shares of HK\$0.2 each			
	2002		2001	
	Number of shares	HK\$	Number of shares	HK\$
<i>Authorised:</i>				
At 1st January and 31st December	2,000,000,000	400,000,000	2,000,000,000	400,000,000
<i>Issued and fully paid:</i>				
At 1st January	1,131,323,705	226,264,741	1,113,779,705	222,755,941
Issue of shares <i>(note (a))</i>	42,000,000	8,400,000	—	—
Exercise of share options	—	—	1,520,000	304,000
Exercise of warrants	—	—	23,384,000	4,676,800
Repurchase of shares	—	—	(7,360,000)	(1,472,000)
At 31st December	1,173,323,705	234,664,741	1,131,323,705	226,264,741

22. SHARE CAPITAL (Cont'd)

- (a) On 17th December 2002, 42,000,000 ordinary shares of HK\$0.2 each were issued at a premium of HK\$0.3 each as part of the consideration for the purchase of a subsidiary. These shares rank pari passu with the existing shares.
- (b) On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited. The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff. Under the terms of the Scheme, the Directors have the discretion to grant to employees and Directors of any member of the Group to subscribe for shares in the Company. Movement in the number of share options outstanding during the year are as follows:

	Number of share options	
	2002	2001
At the beginning of the year	57,086,036	63,108,836
Exercised	—	(1,520,000)
Lapsed	(104,000)	(4,502,800)
At the end of the year (note)	56,982,036	57,086,036
Options vested at 31st December	56,982,036	57,086,036

Note:

Share options outstanding at the end of the year have the following terms:

Expiry date	Exercise price HK\$	Number of share options	
		2002	2001
9th February 2005	0.453	5,203,380	5,203,380
7th October 2005	0.342	7,338,100	7,338,100
15th July 2006	0.318	11,938,556	11,938,556
12th November 2007	0.816	16,950,000	17,050,000
15th July 2008	0.283	15,552,000	15,556,000
		56,982,036	57,086,036

23. RESERVES

	Share premium HK\$	Warrant reserve HK\$	* Capital reserve HK\$	Capital redemption reserve HK\$	Land and buildings revaluation reserve HK\$	Exchange fluctuation reserve HK\$	Total HK\$
Group							
At 1st January 2001, as previously reported	569,485,504	25,124,007	1,590,118	12,534,400	49,582,825	(6,346,493)	651,970,361
Effect of adopting SSAP 30	—	—	16,696,112	—	—	—	16,696,112
At 1st January 2001, as restated	569,485,504	25,124,007	18,286,230	12,534,400	49,582,825	(6,346,493)	668,666,473
Premium on share options exercised	123,029	—	—	—	—	—	123,029
Exercise of warrants net of expenses	12,627,360	(2,916,899)	—	—	—	—	9,710,461
Reversal of goodwill previously written off on disposal of a subsidiary	—	—	1,837,823	—	—	—	1,837,823
Reversal of goodwill previously written off on disposal of jointly controlled entities	—	—	43,200,539	—	—	—	43,200,539
Realisation of warrant reserves upon lapse of warrants	—	(22,207,108)	—	—	—	—	(22,207,108)
Share of post-acquisition reserves of associated companies and jointly controlled entities	—	—	395,932	—	—	—	395,932
Transfer from retained profits on repurchase of shares	—	—	—	1,472,000	—	—	1,472,000
Exchanges differences on translation of the accounts of foreign subsidiaries, jointly controlled entities and associated companies	—	—	—	—	—	3,000,307	3,000,307
At 31st December 2001	<u>582,235,893</u>	<u>—</u>	<u>63,720,524</u>	<u>14,006,400</u>	<u>49,582,825</u>	<u>(3,346,186)</u>	<u>706,199,456</u>
Company and its subsidiaries	582,235,893	—	50,014,691	14,006,400	49,582,825	(7,352,691)	688,487,118
Associated companies	—	—	13,916,818	—	—	1,239,056	15,155,874
Jointly controlled entities	—	—	(210,985)	—	—	2,767,449	2,556,464
At 31st December 2001	<u>582,235,893</u>	<u>—</u>	<u>63,720,524</u>	<u>14,006,400</u>	<u>49,582,825</u>	<u>(3,346,186)</u>	<u>706,199,456</u>

23. RESERVES (Cont'd)

	Share premium <i>HK\$</i>	* Capital reserve <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Land and buildings revaluation reserve <i>HK\$</i>	Exchange fluctuation reserve <i>HK\$</i>	Total <i>HK\$</i>
Group (Cont'd)						
At 1st January 2002	582,235,893	63,720,524	14,006,400	49,582,825	(3,346,186)	706,199,456
Premium on shares issued net of expenses	12,587,400	—	—	—	—	12,587,400
Share of post-acquisition reserves of associated companies and jointly controlled entities	—	755,258	—	—	—	755,258
Exchanges differences on translation of the accounts of foreign subsidiaries, jointly controlled entities and associated companies	—	—	—	—	2,186,012	2,186,012
Deficit on revaluation of investment properties	—	—	—	(321,141)	—	(321,141)
At 31st December 2002	<u>594,823,293</u>	<u>64,475,782</u>	<u>14,006,400</u>	<u>49,261,684</u>	<u>(1,160,174)</u>	<u>721,406,985</u>
Company and its subsidiaries	594,823,293	50,014,691	14,006,400	49,261,684	(5,288,867)	702,817,201
Associated companies	—	14,381,723	—	—	1,239,056	15,620,779
Jointly controlled entities	—	79,368	—	—	2,889,637	2,969,005
At 31st December 2002	<u>594,823,293</u>	<u>64,475,782</u>	<u>14,006,400</u>	<u>49,261,684</u>	<u>(1,160,174)</u>	<u>721,406,985</u>

* Capital reserve includes goodwill/negative goodwill arising on acquisition of subsidiaries, associated companies and jointly controlled entities by the Company, its subsidiaries, associated companies and jointly controlled entities.

23. RESERVES (Cont'd)

	Share premium HK\$	Warrant reserve HK\$	Capital reserve HK\$	Capital redemption reserve HK\$	Total HK\$
Company					
At 1st January 2001	569,485,504	25,124,007	2,103,163	12,534,400	609,247,074
Premium on share options exercised	123,029	—	—	—	123,029
Exercise of warrants net of expenses	12,627,360	(2,916,899)	—	—	9,710,461
Realisation of warrants reserves upon lapse of warrants	—	(22,207,108)	—	—	(22,207,108)
Transfer from retained profits on repurchase of shares	—	—	—	1,472,000	1,472,000
At 31st December 2001	<u>582,235,893</u>	<u>—</u>	<u>2,103,163</u>	<u>14,006,400</u>	<u>598,345,456</u>
At 1st January 2002	582,235,893	—	2,103,163	14,006,400	598,345,456
Premium on shares issued net of expenses	12,587,400	—	—	—	12,587,400
At 31st December 2002	<u>594,823,293</u>	<u>—</u>	<u>2,103,163</u>	<u>14,006,400</u>	<u>610,932,856</u>

24. RETAINED PROFITS

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
At 1st January, as previously reported	171,416,059	103,735,212	76,449,111	77,217,207
Effect of adopting SSAP 9 (revised)	—	16,708,495	—	16,708,495
Effect of adopting SSAP 30	—	(16,696,112)	—	—
At 1st January, as restated	171,416,059	103,747,595	76,449,111	93,925,702
Transfer to capital redemption reserve	—	(1,472,000)	—	(1,472,000)
Profit/(loss) for the year	48,928,991	64,790,162	(4,248,342)	(20,354,893)
2001/2000 final dividend paid and payable	(16,969,856)	(16,690,500)	(16,969,856)	(16,690,500)
Repurchase of shares	—	(1,166,306)	—	(1,166,306)
Realisation of warrant reserve upon lapse of warrants	—	22,207,108	—	22,207,108
At 31st December	203,375,194	171,416,059	55,230,913	76,449,111
Representing:				
Proposed final dividends	11,733,237	16,969,856	11,733,237	16,969,856
Other	191,641,957	154,446,203	43,497,676	59,479,255
At 31st December	203,375,194	171,416,059	55,230,913	76,449,111
Company and subsidiaries	62,124,944	88,020,313	55,230,913	76,449,111
Associated companies	45,280,209	15,444,511	—	—
Jointly controlled entities	95,970,041	67,951,235	—	—
At 31st December	203,375,194	171,416,059	55,230,913	76,449,111

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash outflow generated from operations

	2002 HK\$	Restated 2001 HK\$
Profit before taxation	61,810,367	77,961,980
Share of net profit of associated companies and jointly controlled entities	(68,603,198)	(61,037,702)
Interest income	(5,247,321)	(9,808,758)
Interest expenses on bank loans and overdrafts	262,113	260,603
(Gain)/loss on disposal of fixed assets	(34,271)	163,226
Gain on disposal of partial interest in an associated company	(118,851)	—
Gain on disposal of a subsidiary	—	(10,117,145)
Gain on disposal of jointly controlled entities	—	(26,729,218)
Gain on disposal of investment securities	(7,926,311)	(1,141,762)
Depreciation	10,498,929	10,748,021
Amortisation of trading right	163,763	81,882
Amortisation of goodwill on acquisition of partial interest in a jointly controlled entity and acquisition of an associated company	226,631	115,282
Amortisation of goodwill on acquisition of a subsidiary	814,210	—
Amortisation of negative goodwill on acquisition of partial interest in a jointly controlled entity	(2,958,379)	—
Dividend income from listed investments	(367,396)	(466,466)
Operating loss before working capital changes	(11,479,714)	(19,970,057)
(Increase)/decrease in inventories	(166,865)	54,312
Decrease/(increase) in accounts receivable and prepayments	28,732,014	(53,051,595)
(Increase)/decrease in loans and advances	(14,995,144)	5,566,533
(Increase)/decrease in other investments	(2,305,814)	10,978,432
(Decrease)/increase in accounts payable and accruals	(45,037,820)	14,479,125
Net cash outflow generated from operations	(45,253,343)	(41,943,250)

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of changes in financing during the year

	Share capital including premium and warrant reserve		Minority interests		Bank loans		Dividend payable	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
At 1st January	808,500,634	817,365,452	43,601,762	45,768,419	2,834,591	2,795,444	—	—
Exchange differences	—	—	499,668	(618,711)	446	39,147	—	—
Minority interests share of profits	—	—	38,809	1,350,432	—	—	—	—
Realisation of warrant reserves upon lapse of warrants	—	(22,207,108)	—	—	—	—	—	—
Acquisition/(disposal) of a subsidiary	—	—	1,062,955	(2,898,378)	—	—	—	—
Issue of shares for the acquisition of a subsidiary (note (c) below)	21,000,000	—	—	—	—	—	—	—
Repurchase of shares out of retained earnings	—	1,166,306	—	—	—	—	—	—
Reclassification from investment in an associated company	—	—	(650,927)	—	—	—	—	—
Dividend	—	—	—	—	—	—	16,969,856	16,690,500
Cash inflows/ (outflows) from financing	(12,600)	12,175,984	7,870,873	—	—	—	(16,969,856)	(16,690,500)
At 31st December	829,488,034	808,500,634	52,423,140	43,601,762	2,835,037	2,834,591	—	—

(c) Major non-cash transactions

Part of the consideration for the purchase of a subsidiary during the year comprised 42,000,000 shares in the Company at HK\$0.5 per share (2001: Nil).

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*
(d) Acquisition of a subsidiary

On 31st December 2002, the Group acquired the entire interest in Shanghai Transvision Network Application Services Company Limited. The net assets acquired and the details of purchase consideration is as follows:

	2002	2001
	HK\$	HK\$
Net assets acquired:		
Fixed assets	667,244	—
Investment in a jointly controlled entity	3,734,395	—
Accounts receivable and prepayment	1,410,495	—
Bank balances and cash	443,623	—
Trade and other payables	(5,665,140)	—
Minority interests	(1,062,955)	—
	(472,338)	—
Goodwill	48,852,571	—
	48,380,233	—
Satisfied by:		
Cash	10,210,353	—
Set off of loans and advances and other receivables	17,169,880	—
Shares <i>(note (c) above)</i>	21,000,000	—
	48,380,233	—

Analysis of the net cash outflow in respect of the acquisition of a subsidiary:

	2002	2001
	HK\$	HK\$
Bank balances and cash acquired	443,623	—
Cash consideration	(10,210,353)	—
Net cash outflow in respect of the acquisition of a subsidiary	(9,766,730)	—

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

(e) Disposal of a subsidiary

	2002 HK\$	2001 HK\$
Net assets disposed of:		
Fixed assets	—	6,095,615
Accounts receivable and prepayments	—	3,996,821
Bank balances and cash	—	7,119,442
Accounts payable and accruals	—	(549,802)
Minority interests	—	(2,898,378)
	—	13,763,698
Realisation of goodwill	—	1,837,823
Gain on disposal	—	10,117,145
	—	25,718,666
Satisfied by		
Other investment	—	6,240,608
Cash consideration	—	19,478,058

Analysis of the net cash inflow in respect of the disposal of a subsidiary:

	2002 HK\$	2001 HK\$
Cash consideration	—	19,478,058
Bank balances and cash disposed	—	(7,119,442)
Net cash inflow in respect of the disposal of a subsidiary	—	12,358,616

26. BANK BALANCES AND BANKING FACILITIES

- (a) Certain fixed deposits of HK\$15 million (2001: HK\$15 million) as well as properties of the Group with an aggregate net book value of HK\$93,045,999 (2001: HK\$94,602,555) as at 31st December 2002 were pledged as securities against bank loans and general banking facilities amounting to HK\$120 million (2001: HK\$120 million) granted to the Group. At the balance sheet date, nil amount of such facilities was utilised (2001: HK\$509,241).

A corporate guarantee was given by a minority shareholder of a subsidiary against a bank loan amounting to HK\$2,830,200 (2001: HK\$2,830,200) at the balance sheet date.

- (b) Included in the bank balances and cash of the Group are Renminbi deposits and cash in the Chinese Mainland of HK\$37,325,557 (2001: HK\$39,812,748). Renminbi is not a freely convertible currency.

27. CONTINGENT LIABILITIES

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Guarantee for bank overdraft of a subsidiary	—	—	50,000,000	50,000,000
Guarantee for bank loans of a jointly controlled entity	2,830,200	—	—	—
	2,830,200	—	50,000,000	50,000,000
The Group's share of contingent liabilities of an associated company not included in the above is as follows:				
Guarantee for loan	—	16,959,961	—	—

28. COMMITMENTS

(a) Capital commitments for land and buildings

	Group	
	2002 HK\$	2001 HK\$
Contracted but not provided for	14,531,923	15,556,666
The Group's share of capital commitments of a jointly controlled entity and an associated company not included in the above is as follows:		
Contracted but not provided for	11,862,317	5,012,858

The Company did not have any material capital commitments.

28. COMMITMENTS (Cont'd)

(b) Commitments under operating leases

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

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Not later than one year	3,288,539	2,302,429	—	93,000
Later than one year but not later than five years	2,179,628	659,129	—	—
	5,468,167	2,961,558	—	93,000

29. APPROVAL OF ACCOUNTS

The accounts were approved by the board of Directors on 11th April 2003.