



第一上海

**FIRST SHANGHAI GROUP**

**FIRST SHANGHAI INVESTMENTS LIMITED**

第一上海投資有限公司

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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **CHAIRMAN AND MANAGING DIRECTOR**

Mr Lao Yuan Yi

#### **DIRECTORS**

Mr Xin Shulin, Steve

Mr Yeung Wai Kin

Mr Hu Yi Ming

Mr Xu Wei Ming

Mr Jiang Guo Fang

Mr Lu Wen Qing

Prof. Woo Chia Wei

Mr Kwok Lam Kwong, Larry

#### **COMPANY SECRETARY**

Mr Yeung Wai Kin

#### **REGISTERED OFFICE**

Room 1903, Wing On House

71 Des Voeux Road, Central

Hong Kong

Telephone: (852) 2522 2101

Fax: (852) 2810 6789

E-mail address: [enquiry@firstshanghai.com.hk](mailto:enquiry@firstshanghai.com.hk)

Website: [www.firstshanghai.com.hk](http://www.firstshanghai.com.hk)

#### **AUDITORS**

PricewaterhouseCoopers

Certified Public Accountants

### **SOLICITORS**

Richards Butler

Victor Chu & Co.

T. H. Koo & Associates

### **PRINCIPAL BANKERS**

Citic Ka Wah Bank Limited

Standard Chartered Bank

BNP Paribas Hong Kong Branch

ABN AMRO Bank

The Kwangtung Provincial Bank

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation  
Limited

### **REGISTRARS & TRANSFER OFFICE**

Central Registration Hong Kong Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong



I am pleased to report another year of solid performance for First Shanghai Investments Limited. Net profit attributable to shareholders for the year ended 31st December 2000 amounted to HK\$58.4 million, up 7.5% from last year. Turnover of the Group in 2000 decreased to HK\$305 million, down 57% from 1999. The decrease in turnover reflected the reclassification of the Group's investment in Goodbaby Child Products Co Ltd ("Goodbaby") from subsidiary to jointly controlled entity as from November 1999.

## **DIVIDEND**

The Directors recommended a final dividend of HK\$0.015 per share for the year ended 31st December 2000 in the forthcoming Annual General Meeting.

## **BUSINESS REVIEW**

The increase in net profit in 2000 was mainly attributed to the encouraging performance of the Financial Services Division, and the return to profitability of China Assets (Holdings) Limited ("CAHL"). The exclusion of the turnover of Goodbaby, which was accounted for as a jointly controlled entity from November 1999 onwards, explained the decrease in turnover in 2000. Excluding the effect of the change in accounting treatment of Goodbaby, the 2000 turnover would have increased by 18% from 1999.

During the year under review, the Financial Services Division strengthened its stockbroking and corporate finance businesses by expanding its securities sales and corporate finance team to cater for its growing client base. The Division participated in an increased number of initial public offerings and equity issues and remained an active player in the corporate finance field. The introduction of internet stockbroking services during the second quarter of 2000 served to complement the existing stockbroking business.

The fundamental improvement in the Chinese economy has led to an upturn in its domestic business activities. Most of CAHL's investee companies reported improved results. The Company proposed in May 2000 to acquire the equity interests in 10 PRC joint ventures held by CAHL at a consideration of US\$15 million. However, the proposal was not passed in the extraordinary general meeting of shareholders of CAHL.

During the year, two strategic investors namely, The China Retail Fund, LDC (a direct investment fund advised by AIG Investment Corporation) and SB China Holdings Pte Ltd. (a subsidiary of Softbank Corporation), had put in approximately US\$18 million to subscribe for Goodbaby's equity capital.

The operating results of Goodbaby and RBI Holdings Ltd. were both affected by the increase in cost of raw materials in 2000. They had taken steps to control operating costs and increase in turnover.



## CHAIRMAN'S STATEMENT

Being the largest container port in the Chinese Mainland, Shanghai has been enjoying strong growth in throughput since the 1990's. Despite keen market competition, the performance of Shanghai Zhong Chuang International Container Storage & Transportation Co Ltd. ("ZCIC") in 2000 was encouraging.

The Group continually reviews new information technology for opportunities to upgrade and enhance the operation system of its group companies to meet changing needs of customers, and to enhance efficiencies. Goodbaby launched its website in 2000 to provide a new communication channel to its customers and business partners through Internet.

### FUTURE PROSPECTS

The market sentiment of the securities sector is expected to be improved in the second half of 2001. The Financial Services Division plans to start the futures broking services in July 2001 so as to offer a more comprehensive scope of financial services to clients. The PRC government has recently decided to allow local investors to engage in "B" shares dealing. The Division is well positioned to take advantage of this new business opportunity. Its first move is to set up subsidiary in Shenzhen recently and Shanghai later to engage in asset management business.

CAHL will continue to look for exit opportunities for its existing investments. It will focus on those value-added industries with growth potentials created by new technologies.

Prices of raw materials are expected to become stable in 2001. In order to maintain its competitiveness, Goodbaby will focus on the improvement in production efficiency and control of operating expenses. With assistance from the new shareholders, Goodbaby will set up an e-commerce platform to utilize its existing sales network and strong product and brand image in the Chinese Mainland.

ZCIC will continue to benefit from the rapid increase in container throughput in Shanghai, especially after China's joining the WTO. In view of the increasing e-commerce activities and the computerization of operations of port authorities and container terminals, ZCIC is prepared to make joint efforts with its business partners to further upgrade its services and provide quality logistic services to customers.

In recent years, the Group has maintained steady incomes from financial services, child products manufacturing, container transportation and direct investment businesses. As from 1999, the Group began its investment in technology related businesses. The Group's business strategies will continue to include acquiring high-potential projects, increasing economic effectiveness of existing businesses and enhancing shareholders' value.

### Acknowledgement

On behalf of the Board of Directors, I wish to take this opportunity to express our appreciation to the management and staff of the Group for their commitment, dedication and contributions. I also wish to express many sincere thanks to the shareholders for their continued confidence and support to the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

The Group achieved a growth in net profit attributable to shareholders of 7.5% to approximately HK\$58.4 million for the year ended 31st December 2000. Basic earnings per share increased to 5.20 HK cents, up 2%. Turnover of the Group decreased to approximately HK\$305 million, down 57% from 1999. The decrease in turnover reflected the reclassification of the Group's investment in Goodbaby from subsidiary to jointly controlled entity as from November 1999. The results of Goodbaby have been equity accounted for in 2000 and this explained the substantial decrease in the Group's turnover, gross profit, distribution costs, administrative expenses and finance costs.

### Liquidity and financial resources

The Company relied principally on its internal resources to fund its operation and investment activities. As at 31st December 2000, the Group's cash and bank balances amounted to approximately HK\$205 million and the debt-equity ratio was only 9%.

The bank interest income for the year under review amounted to approximately HK\$16 million, up 23% from 1999, as a result of the increase in interest rate and the commencement of share margin business in 2000.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group's investment in unit trusts and marketable shares as at 31st December 2000 amounted to approximately HK\$48 million. During the year 2000, the Group did not engage in any derivative activities.

In February 2000, the Company raised approximately HK\$25 million by the placement of 220 million units of warrants at HK\$0.12 each. The warrant holders are entitled to subscribe on or before 1st August 2001 for new shares of the Company at an initial subscription price of HK\$0.62 per share.

### Dividend Policy

The Group maintained a position of financial stability and solid cash holdings in recent years so that it could take advantage of any investment opportunities as they arose. Dividend per share proposed for year 2000 amounted to HK\$0.015, representing a dividend payout ratio of 29%. No dividend was paid in year 1999.

### Employees

As at 31st December 2000, the Group employed 463 staff, of which 395 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 share option scheme. Training courses are provided to staff where necessary.



## **CHAIRMAN'S STATEMENT**

### **Pledge of Assets**

Certain properties of the Group with an aggregate net book value of approximately HK\$96 million as at 31st December 2000 (1999: HK\$103 million) as well as fixed deposits of HK\$13 million (1999: HK\$13 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$93 million (1999: HK\$55 million) granted to the Group. At the balance sheet date, no amount of such facilities was utilized (1999: HK\$3.7 million).

### **Contingent Liabilities**

The Company together with other parties has provided corporate guarantees to Goodbaby for bank loans to the maximum extent of HK\$70 million (1999: Nil).

### **LAO Yuan-Yi**

*Chairman and Managing Director*

Hong Kong, 20th April 2001



## ***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 Thursday, 31st May 2001 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 2000.
- 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\$0.015 per share for the year ended 31st December 2000.
- 4 To re-appoint the Auditors of the Company and to authorise the Directors to fix their remuneration.
- 5 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 and warrants 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 bye-laws of the Company or any applicable laws to be held.”





## NOTICE OF ANNUAL GENERAL MEETING

- 6 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;
- (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).”



## NOTICE OF ANNUAL GENERAL MEETING

- 7 To consider and, if thought fit, 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.”

- 8 To transact any other ordinary business of the Company.

By Order of the Board

**LAO Yuan Yi**

*Chairman and Managing Director*

Hong Kong, 20th April 2001

*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 Monday, 28th May 2001 to Thursday, 31st May 2001, 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, Central Registration Hong Kong Limited, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 25th May 2001.
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.



## **REPORT OF THE DIRECTORS**

The directors submit their report together with the audited accounts for the year ended 31st December 2000.

### **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 12, 13 and 14 to the accounts.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and geographical locations 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 20.

### **DIVIDEND**

The Board of Directors recommends the payment of a final dividend of HK\$0.015 per ordinary share, totalling HK\$16,708,495 (1999: Nil).

### **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

### **FIXED ASSETS**

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

During the year, the Company repurchased a total of 11,816,000 ordinary shares of HK\$0.2 each on The Stock Exchange of Hong Kong Limited at an aggregate price of approximately HK\$5 million. The details of the repurchase of shares are set out in note 20 to the accounts.



## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 20 to the accounts.

## USE OF PROCEEDS

In February 2000, the Company placed 220,000,000 units of warrants at HK\$0.12 each, the holders of which are entitled to subscribe for new shares at an initial subscription price of HK\$0.62 per share at any time from the date of issue up to and including 1st August 2001. The net proceeds from the placing of approximately HK\$25 million have been used for general working capital of the Company.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2000, calculated pursuant to section 79B of the Hong Kong Companies Ordinance, amounted to HK\$77,217,207 (1999: HK\$81,378,264).

## 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

Mr JIANG Guo Fang

Mr LU Wen Qing

\* Prof. WOO Chia Wei

\* Mr KWOK Lam Kwong, Larry

Mr CHOW Fu Kee, Felix (resigned on 12th January 2000)

(alternate director to Mr Lao Yuan Yi)

*\* Independent non-executive directors*

Messrs YEUNG Wai Kin, XIN Shulin, Steve and HU Yi Ming retire in accordance with the Company's articles of association, and being eligible, offer themselves for re-election.



## REPORT OF THE DIRECTORS

### DIRECTORS' SERVICE CONTRACTS

Messers YEUNG Wai Kin and XIN Shulin, Steve have service contracts with the Company with no fixed expiry period and Messer HU Yi Ming has a service contract with the Company with a remaining unexpired period of 1 year, all of 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** (55) President & Managing Director. Joined the Company in 1993. Currently board member of Shenyin & Wanguo Securities Co., Ltd. and Chairman of China Assets (Holdings) 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 degree from Harvard University.

**Mr XIN Shulin, Steve** (47) 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.

**Mr YEUNG Wai Kin** (39) 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 17 years experience in auditing, finance and management positions. He is also a 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. 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.

**Mr WANG Jun-Yan** (31), who joined the Company in October 1997, is the Managing Director of First Shanghai Capital Limited, the Company's subsidiary. Mr Wang has 8 years experience in securities business. He is also director of China Assets (Holdings) Limited, the Company's associated company which is listed on The Stock Exchange of Hong Kong Limited. Mr Wang graduated from Zhongshan University in 1992 specializing in International Trade. He has studied in Ph. D. program of Finance in the City University of New York.

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

**Mr MO Siu-Lun, Henry** (38), is the head of Information Technology of the Group. Mr Mo has 18 years experience in the information technology 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 and a Master Degree in Manufacturing Systems Engineering from Warwick University of the United Kingdom.

**Mr HU Yi Ming** (38) Appointed as Director of the Company in 1998. He joined the First Shanghai Group in 1996 as Managing Director of its Assets Management Division. Prior to joining the First Shanghai 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** (54) 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.

**Mr JIANG Guo Fang** (44) Director. Acquired MBA Master Degree from the Asia (Macau) International Open University. Joined the Company in 1996. Currently Executive Vice President of Shenyin & Wanguo Securities Co., Ltd. and Chairman of Shenyin Wanguo (Hong Kong) Ltd. He has over 13 years working experience in the People's Bank of China, Shanghai Branch and the Industrial & Commercial Bank of China, Shanghai Branch. He took the position of Executive Vice President of Shanghai Shenyin Securities Co., Ltd. since 1992, and that of Shenyin & Wanguo Securities Co., Ltd. since 1996.

**Mr LU Wen Qing** (43) Director. Joined the Company in 1996. Currently Managing Director of International Business Division of Shenyin & Wanguo Securities Co., Ltd. and a Non-Executive Director of Shenyin Wanguo (Hong Kong) Ltd. He graduated from the Shanghai University of Finance and Economics. Mr Lu acquired his master degree from the Asia (Macau) International Open University. Prior to joining Shanghai Shenyin Securities Co., Ltd., he served as a senior officer in Shanghai Trust & Investment Corporation of Industrial & Commercial Bank of China and as an attache of the Chinese Embassy in Gabon.

**Professor WOO Chia Wei** (63) Appointed as Independent Non-Executive Director in 1993. Currently President of Hong Kong University of Science & Technology. Previously President, Provost, Department Chairman and Professor of several reputable universities in the United States of America. He serves on the Commission on Strategic Development of HKSAR, and the Chinese People's Political Consultative Conference.



## REPORT OF THE DIRECTORS

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

**Mr KWOK Lam Kwong, Larry** (45) Appointed as Independent Non-Executive Director in 1995. Mr Kwok is a practicing solicitor in Hong Kong and 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 a member of the Consumer Council, the Hospital Governing Committee of the Princess Margaret Hospital, the Criminal & Law Enforcement Injuries Compensation Boards. He is a member of the Political Consultative Committee of Guangxi of the People's Republic of China. He also serves on the boards of several Hong Kong listed companies.

### 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 2000, the interests of the directors in the shares, warrants 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 the SDI Ordinance or as notified to the Company were as follows:—

Name of Directors	Number of ordinary shares in the Company			Number of units of
	Family	Personal	Corporate	warrants
	interests	interests	interests	Corporate interests
Mr Lao Yuan Yi	—	41,752,000	75,308,000	21,984,000
Mr Xin Shulin, Steve	—	2,000,000	—	—
Prof. Woo Chia Wei	72,000	—	—	—



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

Arrangement on share options granted to the directors are set out in note 9(a) to the accounts. Save as disclosed above, none of the directors had any interests in the shares, warrants and options of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31st December 2000.

Apart from the share option scheme as mentioned in note 9(a) to the accounts, 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 2000, the Company had been notified of the following substantial shareholders' 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.

<u>Name of shareholder</u>	<u>Number of ordinary shares in the Company</u>
China Assets (Holdings) Limited	229,848,000

China Assets (Holdings) Limited 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 2000.

### **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.



**REPORT OF THE DIRECTORS****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 2000 and 1999.

**FIVE YEAR FINANCIAL SUMMARY**

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

	<b>2000</b>	1999	1998	1997	1996
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Total assets	<b>1,112,170,049</b>	1,043,037,015	1,261,502,323	1,400,985,047	566,051,627
Total liabilities (Including minority interests)	<b>133,708,535</b>	107,814,429	422,823,274	451,887,777	185,518,461
Total net assets	<b>978,461,514</b>	935,222,586	838,679,049	949,097,270	380,533,166
Turnover	<b>305,483,881</b>	719,454,505	914,008,502	636,126,098	147,300,465
Profit/(loss) attributable to shareholders	<b>58,378,974</b>	54,321,425	(143,029,322)	16,893,743	(13,876,273)
Earnings/(loss) per share					
— basic	<b>5.20 cents</b>	5.10 cents	(13.92 cents)	2.03 cents	(3.09 cents)
— fully diluted	<b>5.17 cents</b>	5.08 cents	N/A	N/A	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 Rules Governing the Listing of Securities on the Stock Exchange (“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. To comply with the revised Code of Best Practice as set out in Appendix 14 of the Listing Rules, 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.

## **SUBSEQUENT EVENTS**

Details of significant events which have been taken place subsequent to the balance sheet date are set out in note 28 to the accounts.

## **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, 20th April 2001

**AUDITORS' REPORT**



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22nd Floor Prince's Building  
Central Hong Kong  
Telephone (852) 2289 8888  
Facsimile (852) 2810 9888

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
FIRST SHANGHAI INVESTMENTS LIMITED**

*(incorporated in Hong Kong with limited liability)*

We have audited the accounts on pages 20 to 60 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 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 the Group as at 31st December 2000 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, 20th April 2001

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year ended 31st December 2000

	<i>Note</i>	<b>2000</b> <b>HK\$</b>	1999 <i>HK\$</i>
Turnover	2	<b>305,483,881</b>	719,454,505
Cost of sales		<u><b>(225,457,238)</b></u>	<u>(541,010,195)</u>
Gross profit		<b>80,026,643</b>	178,444,310
Distribution costs		<b>(1,693,127)</b>	(41,561,130)
Administrative expenses		<b>(64,246,138)</b>	(82,171,301)
Other operating expenses		<b>(7,174,612)</b>	(7,362,083)
Other operating income		<u><b>13,871,565</b></u>	<u>11,284,629</u>
Operating profit	2&3	<b>20,784,331</b>	58,634,425
Finance costs	4	<b>(377,398)</b>	(5,360,121)
Share of profits less losses of			
Associated companies		<b>25,663,173</b>	18,111,237
Jointly controlled entities		<u><b>27,500,604</b></u>	<u>11,487,201</u>
Profit before taxation		<b>73,570,710</b>	82,872,742
Taxation	5(a)	<u><b>(12,611,588)</b></u>	<u>(11,921,329)</u>
Profit after taxation		<b>60,959,122</b>	70,951,413
Minority interests		<u><b>(2,580,148)</b></u>	<u>(16,629,988)</u>
Profit attributable to shareholders	6	<b>58,378,974</b>	54,321,425
Retained profits brought forward		<u><b>64,427,933</b></u>	<u>10,106,508</u>
Total profits available for appropriation		<b>122,806,907</b>	64,427,933
Transfer to capital redemption reserve	20(a)	<b>(2,363,200)</b>	—
Dividend	7	<u><b>(16,708,495)</b></u>	<u>—</u>
Retained profits carried forward		<u><b>103,735,212</b></u>	<u>64,427,933</u>
Earnings per share			
— basic	8	<u><b>5.20 cents</b></u>	<u>5.10 cents</u>
— fully diluted	8	<u><b>5.17 cents</b></u>	<u>5.08 cents</u>

**BALANCE SHEETS**

As at 31st December 2000



	Note	Group		Company	
		2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Fixed assets	11	160,202,745	159,852,572	—	—
Investments in subsidiaries	12	—	—	837,195,425	748,043,241
Investments in associated companies	13	273,199,370	262,294,689	—	—
Investments in jointly controlled entities	14	276,556,185	243,758,825	131,750	131,750
Investment securities	15	79,923,072	72,719,245	51,610,457	51,649,841
<b>Current assets</b>					
Inventories	16	1,157,929	1,272,395	—	—
Other investments	17	24,930,692	7,981,359	—	—
Loans and advances		16,452,511	1,768,186	—	—
Accounts receivable and prepayments	18	61,758,065	41,019,235	2,439,051	2,485,171
Tax recoverable	5(b)	37,939	38,175	—	—
Deposits with a banking subsidiary		—	—	9,647,459	9,456,943
Pledged bank deposits	24(a)	13,000,000	13,000,000	—	—
Bank balances and cash	24(b)	204,951,541	239,332,334	90,160,946	159,332,189
		<u>322,288,677</u>	<u>304,411,684</u>	<u>102,247,456</u>	<u>171,274,303</u>
<b>Current liabilities</b>					
Due to subsidiaries		—	—	55,156,965	75,411,886
Accounts payable and accruals	19	65,420,720	59,348,833	10,099,406	8,108,206
Taxation payable	5(b)	3,015,457	756,857	—	—
Proposed dividend		16,708,495	—	16,708,495	—
Short-term bank loans					
— secured		—	6,510,762	—	—
— unsecured		2,795,444	—	—	—
		<u>87,940,116</u>	<u>66,616,452</u>	<u>81,964,866</u>	<u>83,520,092</u>
Net current assets		<u>234,348,561</u>	<u>237,795,232</u>	<u>20,282,590</u>	<u>87,754,211</u>
		<u>1,024,229,933</u>	<u>976,420,563</u>	<u>909,220,222</u>	<u>887,579,043</u>
<b>Financed by:</b>					
Share capital	20	222,755,941	223,189,881	222,755,941	223,189,881
Reserves	21	651,970,361	647,604,772	609,247,074	583,010,898
Retained profits	22	103,735,212	64,427,933	77,217,207	81,378,264
Shareholders' funds		978,461,514	935,222,586	909,220,222	887,579,043
Minority interests		45,768,419	41,197,977	—	—
		<u>1,024,229,933</u>	<u>976,420,563</u>	<u>909,220,222</u>	<u>887,579,043</u>

On behalf of the Board

**LAO Yuan Yi**  
Director

**Yeung Wai Kin**  
Director

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31st December 2000

	<i>Note</i>	<b>2000</b> <b>HK\$</b>	1999 <b>HK\$</b>
Net cash (outflow)/inflow from operating activities	23(a)	<b>(34,929,087)</b>	120,296,972
Returns on investments and servicing of finance			
Interest received		<b>16,188,691</b>	13,402,879
Interest paid on bank loans and overdrafts		<b>(182,296)</b>	(5,186,973)
Dividend paid to minority interests of a subsidiary		—	(4,424,881)
Dividends received from jointly controlled entities and associated companies		<b>14,742,618</b>	15,071,754
Dividends received from listed investments		<b>676,467</b>	883,494
Net cash inflow from returns on investments and servicing of finance		<b>31,425,480</b>	19,746,273
Taxation			
Hong Kong profits tax paid		<b>(78,967)</b>	(8,536)
Overseas taxation paid		<b>(447,717)</b>	(3,613,599)
Total taxation paid		<b>(526,684)</b>	(3,622,135)
Investing activities			
Purchase of a subsidiary	23(d)	<b>308,386</b>	—
Reclassification of a subsidiary to jointly controlled entity	23(f)	—	(51,676,644)
Disposal of a subsidiary	23(e)	—	3,271,740
Purchase of jointly controlled entities and associated companies		—	(460,863)
Increase in investment in jointly controlled entities and associated companies		<b>(25,802,018)</b>	(21,765,553)
Proceeds from disposal of certain interest in an associated company		<b>323,572</b>	—
Loan granted to a jointly controlled entity		<b>(3,175,858)</b>	(72,089,613)
Proceeds from disposal of fixed assets		<b>2,442,806</b>	160,207
Purchase of fixed assets		<b>(13,040,622)</b>	(33,278,522)
Purchase of investment securities		<b>(15,750,404)</b>	—
Proceeds from disposal of investment securities		<b>7,864,312</b>	26,941,813
Net cash outflow from investing activities		<b>(46,829,826)</b>	(148,897,435)



## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2000

	<i>Note</i>	<b>2000</b>	1999
		<b>HK\$</b>	<b>HK\$</b>
Net cash outflow before financing		<u>(50,860,117)</u>	<u>(12,476,325)</u>
<b>Financing</b>			
Issue of ordinary shares		3,344,147	65,500,162
Repurchase of shares		(5,029,118)	—
Placement of warrants		25,124,007	—
Repayment of short term loans		(3,720,000)	(12,059,122)
Increase in short term bank loans		—	4,097,148
Increase in investment in a subsidiary from a minority shareholder		<u>1,466,677</u>	<u>—</u>
Net cash inflow from financing	23(b)	21,185,713	57,538,188
Increase in bank deposits pledged		<u>—</u>	<u>(13,000,000)</u>
(Decrease)/increase in cash and cash equivalents		(29,674,404)	32,061,863
Cash and cash equivalents at 1st January		239,332,334	205,084,843
Effect of foreign exchange rate changes		<u>(4,706,389)</u>	<u>2,185,628</u>
Cash and cash equivalents at 31st December		<u><b>204,951,541</b></u>	<u><b>239,332,334</b></u>
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash		217,951,541	252,332,334
Less: Pledge of bank deposits		<u>(13,000,000)</u>	<u>(13,000,000)</u>
		<u><b>204,951,541</b></u>	<u><b>239,332,334</b></u>



**CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES**

For the year ended 31st December 2000

	<i>Note</i>	<b>2000</b> <i>HK\$</i>	1999 <i>HK\$</i>
Share of post-acquisition reserves of associated companies and jointly controlled entities	21	<b>536,433</b>	633,265
Exchange differences arising on translation of subsidiaries	21	<u><b>(3,945,435)</b></u>	<u>1,985,581</u>
Net (losses)/gains not recognised in the profit and loss account		<b>(3,409,002)</b>	2,618,846
Profit attributable to shareholders		<b>58,378,974</b>	54,321,425
Less:			
Realisation of land and buildings revaluation reserve upon disposal of land and buildings to the profit and loss account	21	<b>(964,196)</b>	—
Add:			
Realisation of goodwill previously written off to capital reserve	21	<u><b>112,112</b></u>	<u>10,550,518</u>
Total recognised gains and losses		<b>54,117,888</b>	67,490,789
Goodwill eliminated directly against reserves	21	<b>(18,552,569)</b>	(43,200,539)
Negative goodwill on deemed acquisition of an associated company	21	<b>943,068</b>	—
Negative goodwill on further acquisition of an associated company	21	<u>—</u>	<u>6,753,125</u>
		<u><b>36,508,387</b></u>	<u>31,043,375</u>



## 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 under the historical cost convention as modified by the revaluation of certain property, plant and equipment, investment properties and investments in securities, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

### (b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. 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 goodwill or negative goodwill which was not previously charged or recognised in the consolidated profit and loss account.

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, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### (c) 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.

In the Company's balance sheet the investments in associated companies are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.



## NOTES TO THE ACCOUNTS

### 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

#### (d) 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.

A jointly controlled entity is a joint venture which involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The jointly controlled entity operates in the same way as other enterprises, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

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.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

#### (e) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to the separate net assets of subsidiaries, associated companies and jointly controlled entities acquired. Negative goodwill represents the excess of fair values ascribed to the separate net assets of subsidiaries, associated companies and jointly controlled entities acquired over the purchase consideration. Any goodwill arising on consolidation is taken to reserves in the year of acquisition.

#### (f) 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 greater than 20 years are valued 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.



## 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (f) Fixed assets (Cont'd)

#### (i) Investment properties (Cont'd)

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 72 of the Statement of Standard Accounting Practices No. 17 issued by the Hong Kong Society of Accountants which provides exemption from the need to make regular revaluations for such assets.

#### (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 any provisions required to reflect recoverable amounts.

#### (iv) Construction-in-progress

Construction-in-progress comprises factories and office buildings under construction, and production plant, machinery and other fixed assets under installation. 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 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 $\frac{1}{3}$ %
Plant and machinery	10%
Motor vehicles	20%
Trucks	12.5%



## NOTES TO THE ACCOUNTS

### 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

#### (f) Fixed assets (Cont'd)

##### (vi) Cost of restoring and improving fixed assets

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

##### (vii) Impairment of fixed assets

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows are not discounted in determining the recoverable amount.

##### (viii) Gain or loss on disposal of fixed assets

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.

#### (g) Investments in securities

##### (i) Investment securities

Investment securities are stated at cost less any provision for diminution in value.

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 amount of the reduction is recognised as an expense in the profit and loss account.

##### (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.

**1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)****(h) Inventories**

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realizable 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.

**(i) 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.

**(j) 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.

**(k) Translation of foreign currencies**

Transactions in foreign currencies are translated into Hong Kong dollars at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at the 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 accounts of overseas subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in the exchange fluctuation reserve.

**(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 storage services, brokerage and commission, management, 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.



## NOTES TO THE ACCOUNTS

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

#### (l) Revenue recognition *(Cont'd)*

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.

#### (m) Retirement benefit costs

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.



## 2 TURNOVER

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are disclosed in note 12 to the accounts.

An analysis of the Group's turnover and contribution to operating profit by principal activities and geographical locations is as follows:—

	Turnover		Operating profit	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
<b>(a) Principal activities</b>				
Securities trading and investment	194,212,206	189,575,016	13,458,771	10,724,747
Container transportation and storage services	51,382,165	46,813,827	4,437,050	7,956,394
Sales of child products*	—	460,428,563	—	50,582,562
Sales of software and ASP consultancy services	6,243,908	—	(2,150,442)	—
Corporate finance and stockbroking	35,924,160	7,395,266	14,595,379	1,682,666
Investment holding, property holding and management	17,721,442	15,241,833	(9,556,427)	(12,311,944)
	<u>305,483,881</u>	<u>719,454,505</u>	<u>20,784,331</u>	<u>58,634,425</u>
<b>(b) Geographical locations</b>				
Hong Kong	249,916,303	205,875,947	11,736,244	(2,343,482)
Chinese Mainland	53,980,878	511,626,969	6,894,554	60,110,601
Others	1,586,700	1,951,589	2,153,533	867,306
	<u>305,483,881</u>	<u>719,454,505</u>	<u>20,784,331</u>	<u>58,634,425</u>

\* In November 1999, the subsidiary was reclassified to a jointly controlled entity as a result of the loss in control (note 14(d)).




**NOTES TO THE ACCOUNTS**
**3 OPERATING PROFIT**

Operating profit is stated after crediting and charging the following:—

	<b>Group</b>	
	<b>2000</b>	<b>1999</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>Crediting</b>		
Interest income	16,125,220	13,102,020
Dividend income from listed investments	676,467	883,494
Gross rental income from investment properties	1,511,622	2,079,213
Reversal of provision for doubtful debts	—	6,215,250
Gain on disposal of a subsidiary	—	2,120,623
Gain on disposal of shares held in the Hong Kong Exchange and Clearing Limited	6,975,061	—
Gain on disposal of investment securities	839,912	—
Gain on disposal of fixed assets	1,263,829	—
Gain on disposal of certain interest in an associated company	83,573	—
Gain on dilution of interest in a jointly controlled entity ( <i>Note 14(d)</i> )	2,596,772	—
Unrealised gain on revaluation of other investments	—	587,476
	<u>          </u>	<u>          </u>
<b>Charging</b>		
Depreciation	10,624,553	21,623,910
Staff costs	37,385,077	39,653,760
Cost of inventories sold	3,445,808	332,169,115
Direct expenses in respect of container transportation and freight forwarding services	41,679,052	37,107,941
Cost of disposal of other investments*	180,332,378	171,733,139
Operating leases rental in respect of land and buildings	1,264,926	2,409,125
Outgoings in respect of investment properties	437,833	542,411
Retirement benefit costs ( <i>Note 10</i> )	2,786,852	8,587,712
Auditors' remuneration	1,096,024	1,098,617
Loss on disposal of fixed assets	—	352,299
Loss on disposal of investment securities	—	585,277
Unrealised loss on revaluation of other investments	6,295,358	—
Provision for diminution in value of investment securities		
— listed investments	—	2,873,705
— unlisted investments	765,139	714,858
Provision for doubtful debts	1,085,959	—
Net exchange losses	36,313	2,158,128
	<u>          </u>	<u>          </u>

\* The net realised gain on disposal of other investments amounted to HK\$13,203,361 (1999: HK\$16,958,383).



## NOTES TO THE ACCOUNTS

### 4 FINANCE COSTS

	<b>Group</b>	
	<b>2000</b>	1999
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank loans and overdrafts	<u>377,398</u>	<u>5,360,121</u>

### 5 TAXATION

Hong Kong profits tax has been provided for at the rate of 16% (1999: 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:—

	<b>Group</b>	
	<b>2000</b>	1999
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong profits tax		
Current	2,302,100	144,000
(Over)/under provision in previous year	(29,450)	9,293
10% 1997/98 Hong Kong profits tax rebate	—	(9,780)
Overseas taxation		
Current	512,870	5,338,736
Share of taxation attributable to:		
Associated companies	3,492,058	4,038,478
Jointly controlled entities	6,334,010	2,400,602
	<u>12,611,588</u>	<u>11,921,329</u>


**NOTES TO THE ACCOUNTS**
**5 TAXATION** (*Cont'd*)

(b) The amount of taxation in the balance sheets represent:—

	Group		Company	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Recoverable				
Hong Kong	<b>37,939</b>	38,175	—	—
Overseas	—	—	—	—
	<u>37,939</u>	<u>38,175</u>	<u>—</u>	<u>—</u>
Payable				
Hong Kong	<b>2,390,000</b>	173,450	—	—
Overseas	<b>625,457</b>	583,407	—	—
	<u>3,015,457</u>	<u>756,857</u>	<u>—</u>	<u>—</u>

(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	
	2000 HK\$'000	1999 HK\$'000
Accelerated depreciation allowances	(1,494)	(168)
Tax losses not yet utilised	<b>25,310</b>	22,736
	<u>23,816</u>	<u>22,568</u>

**6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$14,910,638 (1999: HK\$7,973,301).

**7 DIVIDEND**

	2000 HK\$	1999 HK\$
Final, proposed, of HK\$0.015 (1999: Nil) per ordinary share	<b>16,708,495</b>	—



## 8 EARNINGS PER ORDINARY SHARE

The calculation of basic and fully diluted earnings per ordinary share are based on the Group's profit attributable to shareholders of HK\$58,378,974 (1999: HK\$54,321,425). The basic earnings per share is based on the weighted average number of 1,122,838,260 (1999: 1,064,442,622) ordinary shares in issue during the year. The diluted earnings per share is based on 1,128,179,736 (1999: 1,068,877,579) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 5,341,476 (1999: 4,434,957) ordinary shares deemed to be issued at no consideration if all outstanding warrants and options had been exercised.

## 9 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:

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Fees	<b>540</b>	620
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	<b>5,202</b>	6,648
Discretionary bonuses	<b>4,000</b>	5,000
Retirement scheme contributions	<b>298</b>	305
	<b>10,040</b>	12,573

Directors' fees disclosed above include HK\$540,000 (1999: HK\$540,000) paid to independent non-executive directors.

Certain directors of the Company have been granted options to acquire shares of the Company as follows:—

Name of Directors	Number of ordinary shares			
	At the beginning of the year	Granted during the year	**Exercised during the year	*At the end of the year
Mr LAO Yuan Yi	22,842,000	—	—	22,842,000 (i)
Mr CHOW Fu Kee, Felix	6,052,800	—	3,200,000	2,852,800 (ii)
Mr XIN Shulin, Steve	10,337,620	—	—	10,337,620 (iii)
Mr YEUNG Wai Kin	13,895,864	—	—	13,895,864 (iii)
Mr HU Yi Ming	3,300,000	—	—	3,300,000 (iv)

\* These represent the options granted in prior years which had not been exercised as at the year end date.

\*\* The benefit from exercise of share options calculated on the aggregate amount of the market prices at the dates of exercise of shares acquired amounted to HK\$1,834,850 (1999: HK\$2,080,144).


**NOTES TO THE ACCOUNTS**
**9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)**
**(a) Directors' remuneration (Cont'd)**

- (i) The options are exercisable at HK\$0.318 to HK\$0.816 per share with expiry dates between 7th October 2005 and 12th November 2007.
- (ii) The options are exercisable at HK\$0.453 per share with expiry date on 9th February 2005.
- (iii) The options are exercisable at HK\$0.283 to HK\$0.816 per share with expiry dates between 9th February 2005 to 15th July 2008.
- (iv) The options are exercisable at HK\$0.283 to HK\$0.816 per share with expiry dates between 12th November 2007 to 15th July 2008.

The emoluments of the directors fall within the following bands:

<b>Emolument bands</b> <i>HK\$</i>	<b>Number of directors</b>	
	<b>2000</b>	<b>1999</b>
0 - 1,000,000	<b>7</b>	7
1,000,001 - 1,500,000	—	—
1,500,001 - 2,000,000	<b>2</b>	2
2,000,001 - 2,500,000	—	—
2,500,001 - 3,000,000	—	1
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	—	1
6,000,001 - 6,500,000	<b>1</b>	—
	<b>10</b>	11

No directors have waived emoluments in respect of the years ended 31st December 2000 and 1999.



## 9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

### (b) Five highest paid individuals

The five individuals whose emoluments are the highest in the Group for the year include three (1999: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (1999: one) individuals during the year are as follows:

	<b>Group</b>	
	<b>2000</b>	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind	<b>2,269</b>	980
Discretionary bonuses	<b>628</b>	900
Retirement scheme contributions	<b>96</b>	42
	<u><b>2,993</b></u>	<u>1,922</u>

The emoluments fall within the following bands:

<b>Emolument bands</b> <i>HK\$</i>	<b>Number of individuals</b>	
	<b>2000</b>	1999
0 - 1,000,000	—	—
1,000,001 - 1,500,000	<b>1</b>	—
1,500,001 - 2,000,000	<b>1</b>	1
	<u><b>2</b></u>	<u>1</u>

## 10 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 employee and 5% to 10% from the employer depending on the length of service of the individual. 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 expended 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 employee have to contribute 5% of the employee's gross salary or HK\$1,000, whichever is lower.

The retirement benefit costs charged to the consolidated profit and loss statement during the year ended 31st December 2000 represents contributions paid and payable by the Group to the schemes and amounted to HK\$2,786,852 (1999: HK\$8,587,712) less forfeitures of HK\$216,818 (1999: HK\$71,985). There is no outstanding balance as at the balance sheet dates of 2000 and 1999 available to reduce the contributions payable in the future years.


**NOTES TO THE ACCOUNTS**
**11 FIXED ASSETS**

	Group								Total HK\$
	Investment properties		Land and buildings		Furniture, fixtures and equipment HK\$	Plant and machinery HK\$	Motor vehicles and trucks HK\$	Construction in progress HK\$	
	Long-term lease in Hong Kong HK\$	Long-term lease outside Hong Kong HK\$	Long-term lease in Hong Kong HK\$	Medium-term lease outside Hong Kong HK\$					
<b>Cost or valuation</b>									
At 1st January 2000	6,000,000	10,971,141	97,484,671	24,499,778	12,478,760	6,493,072	51,280,198	2,467,640	211,675,260
Additions	—	—	—	158,770	9,963,158	331,227	2,364,562	222,905	13,040,622
Purchase of a subsidiary	—	—	—	—	131,196	—	—	—	131,196
Reclassification	—	—	—	—	—	2,424,010	104,157	(2,528,167)	—
Disposals	—	—	—	(1,933,528)	(929,777)	(1,889,946)	(3,036,450)	—	(7,789,701)
<b>At 31st December 2000</b>	<b>6,000,000</b>	<b>10,971,141</b>	<b>97,484,671</b>	<b>22,725,020</b>	<b>21,643,337</b>	<b>7,358,363</b>	<b>50,712,467</b>	<b>162,378</b>	<b>217,057,377</b>
<b>Accumulated depreciation</b>									
At 1st January 2000	—	—	6,354,580	5,967,780	7,332,054	2,742,607	29,425,667	—	51,822,688
Charge for the year	—	—	1,271,580	1,645,297	2,832,324	529,905	4,345,447	—	10,624,553
Purchase of a subsidiary	—	—	—	—	53,919	—	—	—	53,919
Disposals	—	—	—	(26,810)	(848,671)	(1,785,375)	(2,985,672)	—	(5,646,528)
<b>At 31st December 2000</b>	<b>—</b>	<b>—</b>	<b>7,626,160</b>	<b>7,586,267</b>	<b>9,369,626</b>	<b>1,487,137</b>	<b>30,785,442</b>	<b>—</b>	<b>56,854,632</b>
<b>Net book value</b>									
<b>At 31st December 2000</b>	<b>6,000,000</b>	<b>10,971,141</b>	<b>89,858,511</b>	<b>15,138,753</b>	<b>12,273,711</b>	<b>5,871,226</b>	<b>19,927,025</b>	<b>162,378</b>	<b>160,202,745</b>
At 31st December 1999	6,000,000	10,971,141	91,130,091	18,531,998	5,146,706	3,750,465	21,854,531	2,467,640	159,852,572



## 11 FIXED ASSETS (Cont'd)

The analysis at cost or valuation at 31st December 2000 of the above assets is as follows:—

	Group								
	Investment properties		Land and buildings		Furniture, fixtures and equipment	Plant and machinery	Motor vehicles and trucks	Construction in progress	Total
	Long-term lease in Hong Kong	Long-term lease outside Hong Kong	Long-term lease in Hong Kong	Medium-term lease outside Hong Kong					
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At cost	—	—	844,231	22,725,020	21,643,337	7,358,363	50,712,467	162,378	103,445,796
At professional valuation									
— 1994	—	—	96,640,440	—	—	—	—	—	96,640,440
— 2000	6,000,000	10,971,141	—	—	—	—	—	—	16,971,141
	<u>6,000,000</u>	<u>10,971,141</u>	<u>97,484,671</u>	<u>22,725,020</u>	<u>21,643,337</u>	<u>7,358,363</u>	<u>50,712,467</u>	<u>162,378</u>	<u>217,057,377</u>

Investment properties were revalued at 31st December 2000 on the basis of their open market values by Chung, Chan & Associates, an independent firm of chartered surveyors. The valuation remained the same as that at 31st December 1999.

The carrying amount of the land and buildings in Hong Kong under long leases would have been HK\$44,217,823 (1999: HK\$44,868,852) had they been stated at cost less accumulated depreciation.

## 12 INVESTMENTS IN SUBSIDIARIES

	Company	
	2000 HK\$	1999 HK\$
Unlisted shares, at cost	32,693,804	62,690,580
Loans to subsidiaries	972,602,448	826,144,938
Less: provision for diminution in value	(168,100,827)	(140,792,277)
	<u>837,195,425</u>	<u>748,043,241</u>




**NOTES TO THE ACCOUNTS**
**12 INVESTMENTS IN SUBSIDIARIES (Cont'd)**

The following is a list of the principal subsidiaries at 31st December 2000 (see note (a) below):—

Name	Place of incorporation (see note (b) below)	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2000	1999	
<b>Shares held directly:—</b>					
First Shanghai Properties Limited	Hong Kong	16,500,002 ordinary shares of HK\$1 each	<b>100%</b>	100%	Property investment
First Shanghai Management Services Limited	Hong Kong	1,200,000 ordinary shares of HK\$1 each	<b>100%</b>	100%	Agency, management and secretarial services
First Shanghai Nominees Limited	Hong Kong	2 ordinary shares of HK\$1 each	<b>100%</b>	100%	Nominee services
First Shanghai Direct Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	<b>100%</b>	100%	Investment holding
FS Assets Management Limited (formerly known as First Shanghai Assets Management Limited)	Hong Kong	2 ordinary shares of HK\$1 each	<b>100%</b>	100%	Consultancy services
* First Shanghai Securities Investment Limited	British Virgin Islands	100 ordinary shares of US\$1 each	<b>100%</b>	100%	Share investment
* UAT Holdings Limited	British Virgin Islands	100 ordinary shares of US\$1 each	<b>100%</b>	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	<b>100%</b>	100%	Banking services
* P.I. Investments Australia Pty. Limited	Australia	2,000,000 ordinary shares of A\$1 each	<b>100%</b>	100%	Share investment
* First Shanghai Finance Limited	Hong Kong	2 ordinary shares of HK\$1 each	<b>100%</b>	100%	Money lending
* First Information Technology Limited	British Virgin Islands	10 ordinary shares of US\$1 each	<b>100%</b>	100%	Investment holding



## 12 INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation (see note (b) below)	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2000	1999	
<b>Shares held directly (Cont'd):—</b>					
BonVision Technology Limited (formerly known as Goodbaby (Hong Kong) Limited)	Hong Kong	100 ordinary shares of HK\$1 each	100%	100%	Investment holding
* First Shanghai Child Products Limited	British Virgin Islands	200 ordinary shares of US\$1 each	100%	100%	Investment holding
<b>Shares held indirectly:—</b>					
First Shanghai Capital Limited	Hong Kong	30,000,000 ordinary shares of HK\$1 each	100%	100%	Corporate finance and 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%	Share 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
* Shanghai Zhong Chuang International Container Storage & Transportation Company Limited	Chinese Mainland	US\$10,457,447	54%	54%	Container transportation and freight forwarding


**NOTES TO THE ACCOUNTS**
**12 INVESTMENTS IN SUBSIDIARIES (Cont'd)**

Name	Place of incorporation (see note (b) below)	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2000	1999	
<b>Shares held indirectly (Cont'd):—</b>					
* Atlas Securities Pty. Limited	Australia	2 ordinary shares of A\$1 each	<b>100%</b>	100%	Share investment
* Public Holdings (Australia) Limited (Listed in Sydney, Australia)	Australia	3,744,750 ordinary shares of A\$0.5 each	<b>74.2%</b>	74.2%	Securities investment
* P.H.A. Investments Pty. Limited	Australia	60,000 ordinary shares of A\$2 each	<b>74.2%</b>	74.2%	Property investment
* P.H.A. Trading Pty. Limited	Australia	2 ordinary shares of A\$0.5 each	<b>74.2%</b>	74.2%	Securities investment
China C&Y International Holdings Limited	Cayman Islands	160,000 ordinary shares of US\$1 each	<b>100%</b>	100%	Investment holding
* Illumination International Limited	British Virgin Islands	10 ordinary shares of US\$1 each	<b>100%</b>	100%	Investment holding
BonVision Technology (Hong Kong) Limited	Hong Kong	33,333 ordinary shares of HK\$1 each	<b>63%</b>	—	Consultancy services

\* Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 10% (1999: 9%) of the Group's net assets.

Note:—

- (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.



### 13 INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
Share of net assets	<u>273,199,370</u>	<u>262,294,689</u>	<u>—</u>	<u>—</u>
Investments at cost:				
Shares listed in Hong Kong	<u>217,416,560</u>	<u>217,656,560</u>		
Market value of listed shares	<u>136,352,354</u>	<u>126,293,958</u>		

The following is a list of the associated companies held by the Group at 31st December 2000:

Name	Place of incorporation	Particulars of issued shares held	Effective interest held		Principal activities
			2000	1999	
RBI Holdings Limited (“RBI”) (see note (a) below)	Bermuda	330,229,620 ordinary shares of HK\$0.1 each	25.47%	25.18%	Manufacture of toys
China Assets (Holdings) Limited (“China Assets”) (see note (a) below)	Hong Kong	74,383,160 ordinary shares of US\$0.1 each	33.8%	33.8%	Investment holding



## NOTES TO THE ACCOUNTS

### 13 INVESTMENTS IN ASSOCIATED COMPANIES (Cont'd)

Note:—

- (a) RBI and China Assets are companies listed on The Stock Exchange of Hong Kong Limited.
- (b) Additional information in respect of the Group's major associated companies is given as follows:—

#### RBI

	2000 HK\$'000	1999 HK\$'000
Profit and loss account		
Turnover	550,696	502,942
Profit before taxation	97,846	108,897
Group's share of profit before taxation	<u>24,437</u>	<u>27,006</u>
Balance sheet		
Long-term assets	238,857	216,456
Current assets	318,828	285,067
Current liabilities	(106,175)	(91,708)
Long-term liabilities	<u>(2,878)</u>	<u>(2,225)</u>
Net assets	<u>448,632</u>	<u>407,590</u>

#### China Assets

	2000 HK\$'000	1999 HK\$'000
Profit and loss account		
Turnover	4,142	2,803
Profit/(loss) before taxation	21,339	(6,090)
Group's share of profit/(loss) before taxation	<u>1,227</u>	<u>(8,895)</u>
Balance sheet		
Long-term assets	517,363	486,489
Current assets	56,710	78,710
Current liabilities	<u>(4,195)</u>	<u>(1,217)</u>
Net assets	<u>569,878</u>	<u>563,982</u>



## 14 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Share of net assets	219,451,816	168,329,713	—	—
Loans to jointly controlled entities	57,104,369	75,429,112	131,750	131,750
	<u>276,556,185</u>	<u>243,758,825</u>	<u>131,750</u>	<u>131,750</u>

The following is a list of the principal jointly controlled entities held by the Group at 31st December 2000:—

Name	Place of incorporation and operation	Principal activities	Effective interest in ownership/voting power/profit sharing	
			2000	1999
Zhejiang Shaoxing Betung Instrument Company Limited ("Shaoxing Betung") (see note (a) below)	Chinese Mainland	Manufacture of motor vehicle meters and components	40.8%	40.8%
Kunshan Huadong International Cargo Distribution Services Company Limited ("Kunshan Huadong") (see note (b) below)	Chinese Mainland	Cargo distribution	50%	50%
Goodbaby Paragon Hygienic Products Company Limited ("Goodbaby Paragon") (see note (c) below)	Chinese Mainland	Production of diapers and related hygienic products	30%	30%
Goodbaby Child Products Company Limited ("Goodbaby") (see note (d) below)	Chinese Mainland	Production of baby and infant items	44.17%	66.01%


**NOTES TO THE ACCOUNTS**
**14 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Cont'd)**

Name	Place of incorporation and operation	Principal activities	Effective interest in ownership/voting power/profit sharing	
			2000	1999
CVIC-First Shanghai Properties Limited	British Virgin Islands and Hong Kong	Investment holding	58.5%	58.5%
Genius Technology International Limited (“GTI”) (see note (e) below)	Hong Kong	Investment holding	36.35%	41.8%

Note:—

- (a) Shaoxing Betung was established as an equity joint venture in the Chinese Mainland in December 1993 for a term of 30 years.
- (b) Kunshan Huadong was established as an equity joint venture in the Chinese Mainland in November 1997 for a term of 30 years.
- (c) Goodbaby Paragon was established as an equity joint venture in the Chinese Mainland in December 1997 for a term of 50 years.
- (d) Goodbaby was established as an equity joint venture in the Chinese Mainland in November 1994 for a term of 30 years. Pursuant to an agreement signed among the joint venturers in 1999, Goodbaby operates under certain restrictions which significantly impair the control by the Group over the operations of Goodbaby. Goodbaby has therefore been regarded as a jointly controlled entity and its results have been equity accounted for from November 1999 onwards (also see note 23(f)).

During the year, two new investors had put in approximately US\$18 million to subscribe for Goodbaby’s equity capital. In addition, the Group had granted a 6% equity interest it held in Goodbaby to the management team of Goodbaby. The interest in Goodbaby was diluted to 44.17%.

- (e) GTI has acquired 90% equity interest in Shenzhen Genius Information Technology Company Limited (“Genius”) during the year. Genius was established as an equity joint venture in the Chinese Mainland engaging in the provision of financial information services in the Chinese Mainland.
- (f) Additional information in respect of the Group’s major jointly controlled entity is given as follows:—

**Goodbaby**

	2000 HK\$’000	1999 HK\$’000
Profit and loss account		
Turnover	690,417	550,186
Profit before taxation	<u>58,586</u>	<u>71,772</u>
Balance sheet		
Long-term assets	298,745	205,971
Current assets	578,041	384,739
Current liabilities	(562,437)	(327,300)
Long-term liabilities	<u>(31,329)</u>	<u>(51,951)</u>
Net assets	<u>283,020</u>	<u>211,459</u>



## 15 INVESTMENT SECURITIES

		Group		Company	
		2000	1999	2000	1999
		HK\$	HK\$	HK\$	HK\$
Listed shares					
and unit trusts	(a)	23,133,370	15,203,927	—	39,384
Unlisted investments	(b)	56,789,702	57,515,318	51,610,457	51,610,457
		<u>79,923,072</u>	<u>72,719,245</u>	<u>51,610,457</u>	<u>51,649,841</u>

## (a) Listed shares and unit trusts

		Group		Company	
		2000	1999	2000	1999
		HK\$	HK\$	HK\$	HK\$
Listed shares and unit trusts					
— overseas, at cost		60,373,293	52,404,327	—	39,384
Less: provision		(37,239,923)	(37,200,400)	—	—
		<u>23,133,370</u>	<u>15,203,927</u>	<u>—</u>	<u>39,384</u>

## (b) Unlisted investments

		Group		Company	
		2000	1999	2000	1999
		HK\$	HK\$	HK\$	HK\$
— Shares, at cost		82,695,744	82,695,744	193	193
Less: provision		(77,516,306)	(76,790,690)	—	—
		<u>5,179,438</u>	<u>5,905,054</u>	<u>193</u>	<u>193</u>
— Loan		66,097,264	66,097,264	66,097,264	66,097,264
Less: provision		(14,487,000)	(14,487,000)	(14,487,000)	(14,487,000)
		<u>51,610,264</u>	<u>51,610,264</u>	<u>51,610,264</u>	<u>51,610,264</u>
		<u>56,789,702</u>	<u>57,515,318</u>	<u>51,610,457</u>	<u>51,610,457</u>



**NOTES TO THE ACCOUNTS****15 INVESTMENT SECURITIES (Cont'd)****(c) Market value of listed shares and unit trusts**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Listed shares and unit trusts				
— overseas	<b>15,695,077</b>	12,761,771	—	39,384

**16 INVENTORIES**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Raw materials	<b>1,157,929</b>	1,272,395	—	—

At 31st December 2000 and 1999, all raw materials were stated at cost.

**17 OTHER INVESTMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Equity securities				
Listed shares				
— overseas	<b>2,501,442</b>	1,676,289	—	—
— Hong Kong	<b>22,429,250</b>	6,305,070	—	—
Market value of listed investments	<b>24,930,692</b>	7,981,359	—	—



## NOTES TO THE ACCOUNTS

### 18 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	Group		Company	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Due from stock brokers and Hong Kong Securities Clearing Company Limited	5,184,051	5,548,080	—	—
Trade receivables ( <i>note</i> )	23,086,704	18,193,644	—	—
Bills receivable	651,000	—	—	—
Prepayments and deposits	18,017,655	7,627,506	1,044,143	1,450,586
Other receivables	14,818,655	9,650,005	1,394,908	1,034,585
	<u>61,758,065</u>	<u>41,019,235</u>	<u>2,439,051</u>	<u>2,485,171</u>

*Note:*

The majority of the Group's trade receivables is on credit terms of 30 to 60 days. At 31st December 2000, the ageing analysis of the trade receivables is as follows:

	Group	
	2000 HK\$	1999 HK\$
Current	17,722,390	12,683,868
30 - 60 days	4,589,507	5,270,772
61 - 90 days	774,807	239,004
	<u>23,086,704</u>	<u>18,193,644</u>

### 19 ACCOUNTS PAYABLE AND ACCRUALS

	Group		Company	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Due to stock brokers and dealers	3,448,080	9,991	—	—
Due to stockbroking clients	14,075,628	296,048	—	—
Trade payables ( <i>note</i> )	5,549,385	11,142,290	—	—
Other accounts payable	25,948,594	31,285,520	4,130,207	1,311,732
Accruals	16,399,033	16,614,984	5,969,199	6,796,474
	<u>65,420,720</u>	<u>59,348,833</u>	<u>10,099,406</u>	<u>8,108,206</u>


**NOTES TO THE ACCOUNTS**
**19 ACCOUNTS PAYABLE AND ACCRUALS** (*Cont'd*)

Note:

At 31st December 2000, the ageing analysis of the trade payables is as follows:

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$</b>	<b>HK\$</b>
Current	<b>4,977,595</b>	10,601,507
30 - 60 days	<b>148,912</b>	98,428
61 - 90 days	<b>422,878</b>	442,355
	<b><u>5,549,385</u></b>	<b><u>11,142,290</u></b>

**20 SHARE CAPITAL**

	<b>Ordinary shares of HK\$0.2 each</b>			
	<b>2000</b>		1999	
	<i>Number of shares</i>	<i>HK\$</i>	<i>Number of shares</i>	<i>HK\$</i>
Authorised:				
At 1st January and 31st December	<b><u>2,000,000,000</u></b>	<b><u>400,000,000</u></b>	<b><u>2,000,000,000</u></b>	<b><u>400,000,000</u></b>
Issued and fully paid:				
At 1st January	<b>1,115,949,405</b>	<b>223,189,881</b>	1,027,738,205	205,547,641
Exercise of share options (note (c))	<b>9,646,300</b>	<b>1,929,260</b>	8,208,000	1,641,600
Repurchase of shares (note (a))	<b>(11,816,000)</b>	<b>(2,363,200)</b>	—	—
Subscription by an associated company	—	—	80,000,000	16,000,000
Conversion of warrants (note (b))	—	—	3,200	640
At 31st December	<b><u>1,113,779,705</u></b>	<b><u>222,755,941</u></b>	<b><u>1,115,949,405</u></b>	<b><u>223,189,881</u></b>



## 20 SHARE CAPITAL (Cont'd)

Notes:

- (a) During the year, the Company repurchased 11,816,000 ordinary shares of HK\$0.2 each on The Stock Exchange of Hong Kong Limited at an aggregate price of HK\$5,011,298. Details of the repurchase of shares are as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate price paid HK\$
		Highest HK\$	Lowest HK\$	
May 2000	432,000	0.56	0.53	234,258
September 2000	592,000	0.50	0.48	294,080
October 2000	5,120,000	0.49	0.35	2,030,640
November 2000	5,016,000	0.46	0.42	2,175,360
December 2000	656,000	0.43	0.42	276,960
	<u>11,816,000</u>			<u>5,011,298</u>
Total expenses on share repurchases				<u>17,820</u>
				<u>5,029,118</u>

The above shares were cancelled by the Company and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount of HK\$2,363,200 equivalent to the nominal value of the cancelled shares was transferred to the Capital Redemption Reserve. The remaining balance of the aggregate consideration paid amounting to HK\$2,665,918 was charged to the Share Premium Account.

- (b) In February 2000, the Company placed 220,000,000 units of warrants at HK\$0.12 each, the holders of which are entitled to subscribe for new shares at an initial subscription price of HK\$0.62 per share at any time from the date of issue up to and including 1st August 2001. If the warrants are fully exercised, the Company will be required to issue a further 220,000,000 shares. During the year, no warrants were exercised and 220,000,000 warrants were outstanding at 31st December 2000.
- (c) Pursuant to a share option scheme adopted on 12th May 1994, the board of directors may invite the executive directors of the Company and the employees of the Group to take up options to subscribe for the Company's shares.

Details of the options granted under the scheme outstanding at the balance sheet date were as follows:

Expiry date	Exercise price HK\$	Number of options	
		2000	1999
9th February 2005	0.453	<b>8,056,180</b>	11,960,780
7th October 2005	0.342	<b>7,338,100</b>	7,338,100
15th July 2006	0.318	<b>11,938,556</b>	14,012,256
12th November 2007	0.816	<b>18,500,000</b>	18,150,000
15th July 2008	0.283	<b>17,076,000</b>	21,444,000
6th December 2009	0.493	<b>200,000</b>	—
		<u><b>63,108,836</b></u>	<u>72,905,136</u>


**NOTES TO THE ACCOUNTS**
**21 RESERVES**

<b>Group</b>	<b>*Share premium and warrant reserve HK\$</b>	<b>**Capital reserve HK\$</b>	<b>Capital redemption reserve HK\$</b>	<b>Investment properties revaluation reserve HK\$</b>	<b>Land and buildings revaluation reserve HK\$</b>	<b>Exchange fluctuation reserve HK\$</b>	<b>Total HK\$</b>
At 1st January 1999	522,878,613	43,814,705	10,171,200	964,196	49,582,825	(4,386,639)	623,024,900
Premium on issue of shares net of expenses	47,857,922	—	—	—	—	—	47,857,922
Negative goodwill on further acquisition of an associated company	—	6,753,125	—	—	—	—	6,753,125
Goodwill written off on acquisition of a jointly controlled entity	—	(43,200,539)	—	—	—	—	(43,200,539)
Reversal of goodwill, previously written off, on disposal of an investment	—	10,550,518	—	—	—	—	10,550,518
Share of post-acquisition reserves of associated companies and jointly controlled entities	—	633,265	—	—	—	—	633,265
Exchange differences on translation of the accounts of foreign subsidiaries	—	—	—	—	—	1,985,581	1,985,581
At 31st December 1999	<u>570,736,535</u>	<u>18,551,074</u>	<u>10,171,200</u>	<u>964,196</u>	<u>49,582,825</u>	<u>(2,401,058)</u>	<u>647,604,772</u>
Company and its subsidiaries	570,736,535	5,777,606	10,171,200	964,196	49,582,825	(2,401,058)	634,831,304
Associated companies	—	12,984,453	—	—	—	—	12,984,453
Jointly controlled entities	—	(210,985)	—	—	—	—	(210,985)
At 31st December 1999	<u>570,736,535</u>	<u>18,551,074</u>	<u>10,171,200</u>	<u>964,196</u>	<u>49,582,825</u>	<u>(2,401,058)</u>	<u>647,604,772</u>



## 21 RESERVES (Cont'd)

	*Share premium and warrant reserve HK\$	**Capital reserve HK\$	Capital redemption reserve HK\$	Investment properties revaluation reserve HK\$	Land and buildings revaluation reserve HK\$	Exchange fluctuation reserve HK\$	Total HK\$
<b>Group (Cont'd)</b>							
At 1st January 2000	570,736,535	18,551,074	10,171,200	964,196	49,582,825	(2,401,058)	647,604,772
Reclassification	—	—	—	(964,196)	964,196	—	—
Premium on share options exercised and shares issued	1,414,887	—	—	—	—	—	1,414,887
Placement of warrants net of expenses	25,124,007	—	—	—	—	—	25,124,007
Repurchase of shares	(2,665,918)	—	—	—	—	—	(2,665,918)
Goodwill written off on acquisition of a jointly controlled entity	—	(16,696,112)	—	—	—	—	(16,696,112)
Goodwill written off on acquisition of a subsidiary	—	(1,856,457)	—	—	—	—	(1,856,457)
Negative goodwill on deemed acquisition of an associated company	—	943,068	—	—	—	—	943,068
Reversal of goodwill, previously written off, on disposal of certain interest in an associated company	—	112,112	—	—	—	—	112,112
Share of post-acquisition reserves of associated companies and jointly controlled entities	—	536,433	—	—	—	—	536,433
Disposal of land and buildings	—	—	—	—	(964,196)	—	(964,196)
Transfer from retained profits on repurchase of shares	—	—	2,363,200	—	—	—	2,363,200
Exchanges differences on translation of the accounts of foreign subsidiaries	—	—	—	—	—	(3,945,435)	(3,945,435)
<b>At 31st December 2000</b>	<b>594,609,511</b>	<b>1,590,118</b>	<b>12,534,400</b>	<b>—</b>	<b>49,582,825</b>	<b>(6,346,493)</b>	<b>651,970,361</b>
Company and its subsidiaries	594,609,511	(11,719,783)	12,534,400	—	49,582,825	(6,346,493)	638,660,460
Associated companies	—	13,520,886	—	—	—	—	13,520,886
Jointly controlled entities	—	(210,985)	—	—	—	—	(210,985)
<b>At 31st December 2000</b>	<b>594,609,511</b>	<b>1,590,118</b>	<b>12,534,400</b>	<b>—</b>	<b>49,582,825</b>	<b>(6,346,493)</b>	<b>651,970,361</b>

\* Included in share premium and warrant reserve is a warrant reserve of HK\$25,124,007 (1999: Nil).

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


**NOTES TO THE ACCOUNTS**
**21 RESERVES (Cont'd)**

<b>Company</b>	<b>*Share premium and warrant reserve HK\$</b>	<b>Capital reserve HK\$</b>	<b>Capital redemption reserve HK\$</b>	<b>Total HK\$</b>
At 1st January 1999	522,878,613	2,103,163	10,171,200	535,152,976
Premium on issue of shares net of expenses	47,857,922	—	—	47,857,922
At 31st December 1999	<u>570,736,535</u>	<u>2,103,163</u>	<u>10,171,200</u>	<u>583,010,898</u>
At 1st January 2000	570,736,535	2,103,163	10,171,200	583,010,898
Premium on share options exercised and shares issued	1,414,887	—	—	1,414,887
Placement of warrants net of expenses	25,124,007	—	—	25,124,007
Repurchase of shares	(2,665,918)	—	—	(2,665,918)
Transfer from retained profits on repurchase of shares	—	—	2,363,200	2,363,200
At 31st December 2000	<u>594,609,511</u>	<u>2,103,163</u>	<u>12,534,400</u>	<u>609,247,074</u>

\* Included in share premium and warrant reserve is a warrant reserve of HK\$25,124,007 (1999: Nil).

**22 RETAINED PROFITS**

	<b>Group</b>		<b>Company</b>	
	<b>2000 HK\$</b>	<b>1999 HK\$</b>	<b>2000 HK\$</b>	<b>1999 HK\$</b>
Company and its subsidiaries	<b>70,656,918</b>	49,171,044	<b>77,217,207</b>	81,378,264
Associated companies	<b>(12,234,579)</b>	(21,787,645)	—	—
Jointly controlled entities	<b>45,312,873</b>	37,044,534	—	—
	<u><b>103,735,212</b></u>	<u>64,427,933</u>	<u><b>77,217,207</b></u>	<u>81,378,264</u>



## 23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of profit before taxation to net cash (outflow)/inflow from operating activities

	2000 HK\$	1999 HK\$
Profit before taxation	73,570,710	82,872,742
Share of net profit of associated companies and jointly controlled entities	(53,163,777)	(29,598,438)
Interest income	(16,125,220)	(13,102,020)
Interest expenses on bank loans and overdrafts	377,398	5,360,121
(Gain)/loss on disposal of fixed assets	(1,263,829)	352,299
Gain on disposal of certain interest in an associated company	(83,573)	—
Gain on dilution of interest in a jointly controlled entity	(2,596,772)	—
Gain on disposal of a subsidiary	—	(2,120,623)
Depreciation	10,624,553	21,623,910
Dividend income from listed investments	(676,467)	(883,494)
(Gain)/loss on disposal of investment securities	(839,912)	585,277
Increase in accounts receivable and prepayments	(17,434,105)	(18,685,531)
(Increase)/decrease in loans and advances	(14,684,325)	2,353,182
(Increase)/decrease in other investments	(16,949,333)	7,720,052
Increase in accounts payable and accruals	3,435,960	55,963,978
Provision for diminution in value of investment securities	765,139	3,588,563
Decrease in inventories	114,466	4,266,954
	<u>                    </u>	<u>                    </u>
Net cash (outflow)/inflow from operating activities	<u>(34,929,087)</u>	<u>120,296,972</u>




**NOTES TO THE ACCOUNTS**
**23 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	
	2000	1999	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	<b>793,926,416</b>	728,426,254	<b>41,197,977</b>	93,774,821	<b>6,510,762</b>	98,084,884
Exchange differences	—	—	<b>(1,522,674)</b>	562,871	<b>4,682</b>	—
Minority interests' share of profits	—	—	<b>2,580,148</b>	16,629,988	—	—
Reclassification of a subsidiary to jointly controlled entity	—	—	—	(69,769,703)	—	(83,612,148)
Acquisition of a subsidiary	—	—	<b>2,046,291</b>	—	—	—
Cash inflows/(outflows) from financing	<b>23,439,036</b>	65,500,162	<b>1,466,677</b>	—	<b>(3,720,000)</b>	(7,961,974)
At 31st December	<b><u>817,365,452</u></b>	<u>793,926,416</u>	<b><u>45,768,419</u></b>	<u>41,197,977</u>	<b><u>2,795,444</u></b>	<u>6,510,762</u>

**(c) Purchase of a subsidiary**

	2000	1999
	HK\$	HK\$
Net assets acquired:		
Fixed assets	77,277	—
Trade and other receivables	2,244,996	—
Bank balances and cash	8,154,953	—
Trade and other payables	(2,440,825)	—
Minority interests	(2,046,291)	—
	<u>5,990,110</u>	—
Goodwill	<u>1,856,457</u>	—
	<b><u>7,846,567</u></b>	—
Satisfied by		
Cash	<b><u>7,846,567</u></b>	—



## NOTES TO THE ACCOUNTS

### 23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

#### (d) Analysis of the net cash inflow in respect of the purchase of a subsidiary

	2000 HK\$	1999 HK\$
Bank balances and cash acquired	8,154,953	—
Cash consideration	7,846,567	—
	<u>308,386</u>	<u>—</u>
Net cash inflow in respect of the purchase of a subsidiary	<u><u>308,386</u></u>	<u><u>—</u></u>

#### (e) Sale of a subsidiary

	2000 HK\$	1999 HK\$
Net assets disposed of:		
Trade and other receivables	—	1,701,046
Bank balances and cash	—	4,778,603
Trade and other payables	—	(549,929)
	<u>—</u>	<u>5,929,720</u>
Gain on disposal	—	2,120,623
	<u>—</u>	<u>8,050,343</u>
Satisfied by:		
Cash	—	8,050,343
	<u><u>—</u></u>	<u><u>8,050,343</u></u>

#### (f) Reclassification of a subsidiary to jointly controlled entity

	2000 HK\$	1999 HK\$
Net assets reclassified:		
Fixed assets	—	129,924,634
Inventories	—	59,789,516
Trade and other receivables	—	235,336,476
Bank balances and cash	—	51,676,644
Trade and other payables	—	(228,314,244)
Bank loans	—	(83,612,148)
Minority interests	—	(65,344,822)
	<u>—</u>	<u>99,456,056</u>
	<u><u>—</u></u>	<u><u>99,456,056</u></u>

## NOTES TO THE ACCOUNTS

### 24 BANK BALANCES AND BANKING FACILITIES

#### Group

- (a) Certain fixed deposits of HK\$13 million (1999: HK\$13 million) as well as properties of the Group with an aggregate net book value of approximately HK\$96 million as at 31st December 2000 (1999: HK\$103 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$93 million (1999: HK\$55 million) granted to the Group. At the balance sheet date, no amount of such facilities were utilised (1999: HK\$3.7 million).

A corporate guarantee was given by a minority shareholder of a subsidiary against a bank loan amounting to HK\$2.8 million (1999: HK\$2.8 million) 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\$28,351,833 (1999: HK\$23,487,792). Renminbi is not a freely convertible currency.

### 25 CONTINGENT LIABILITIES

	Group		Company	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Guarantee for bank loans of a jointly controlled entity*	<u>70,122,000</u>	<u>—</u>	<u>70,122,000</u>	<u>—</u>

\* The Company together with other venturers have provided corporate guarantee executed jointly and severally to a jointly controlled entity.

### 26 COMMITMENTS

#### (a) Capital commitments

	Group		Company	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Contracted but not provided for	4,282,125	—	—	—
Authorised but not contracted for	<u>1,236,000</u>	<u>23,219,054</u>	<u>—</u>	<u>—</u>
	<u>5,518,125</u>	<u>23,219,054</u>	<u>—</u>	<u>—</u>

The Group's share of  
capital commitments  
of a jointly controlled  
entity not included in  
the above is as follows:—

Contracted but not provided for	<u>1,615,191</u>	<u>42,418,858</u>	<u>—</u>	<u>—</u>
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## 26 COMMITMENTS (Cont'd)

### (b) Commitments under operating leases

At 31st December 2000, the Group and the Company had commitments to make payments in the next twelve months under operating leases which expire as follows:

	Group		Company	
	2000	1999	2000	1999
	Land and	Land and	Land and	Land and
	buildings	buildings	buildings	buildings
	HK\$	HK\$	HK\$	HK\$
Within one year	1,916,657	849,802	551,200	18,765
In the second to fifth years inclusive	1,626,550	624,000	—	624,000
	<u>3,543,207</u>	<u>1,473,802</u>	<u>551,200</u>	<u>642,765</u>

## 27 RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions which were carried out in the normal course of the Group's business:

	Group	
	2000	1999
	HK\$	HK\$
Purchases from a jointly controlled entity (see note (a) below)	—	51,200,375
Sales to a jointly controlled entity (see note (a) below)	—	19,708,250
	<u>—</u>	<u>70,908,625</u>

Note:

- (a) The sales and purchases were transacted between a subsidiary of the Group and a jointly controlled entity of that subsidiary. Being one of the suppliers of the jointly controlled entity, the subsidiary sold raw materials to the jointly controlled entity which produced and sold the finished goods back to the subsidiary at cost. That subsidiary was reclassified as a jointly controlled entity in 1999.

The sales and purchases were conducted at prices and terms no less than those charged to and contracted with other third party customers of the Group.



## NOTES TO THE ACCOUNTS

### 28 SUBSEQUENT EVENTS

- (a) Pursuant to an agreement signed between First Shanghai Holdings Limited (“FSHL”), a wholly-owned subsidiary of the Group, and 北京嘉利恒德房地產有限公司, FSHL agreed to dispose its entire interest in a jointly controlled entity, CVIC-First Shanghai Properties Limited, at a consideration of approximately HK\$67 million. The jointly controlled entity holds a property development project in Beijing. The cost of investment in the jointly controlled entity as at 31st December 2000 was approximately HK\$58 million.
- (b) An agreement was entered into by BonVision Technology Limited, a subsidiary of the Group, with a third party in February 2001 to purchase 75% equity interest in Guangzhou Tian Jun Company Limited at a cash consideration of approximately RMB5 million plus 1,200,000 ordinary shares of the Company.
- (c) The Company entered into an agreement with Vanda Systems & Communications Holdings Limited in April 2001 under which the Company agreed to dispose of 60% equity interest in BonVision Technology Limited at a consideration of approximately HK\$19.5 million and the expected gain is approximately HK\$9.9 million. BonVision has a 63% owned subsidiary in Hong Kong and some subsidiaries in the Chinese Mainland.

### 29 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 20th April 2001.