



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\$
(a) Principal activities				
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) Geographical locations				
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:—

	Group	
	2000	1999
	HK\$	HK\$
Crediting		
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>
Charging		
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

	Group	
	2000	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:—

	Group	
	2000	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	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
Recoverable				
Hong Kong	37,939	38,175	—	—
Overseas	—	—	—	—
	<u>37,939</u>	<u>38,175</u>	<u>—</u>	<u>—</u>
Payable				
Hong Kong	2,390,000	173,450	—	—
Overseas	625,457	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	1999
	HK\$'000	HK\$'000
Accelerated depreciation allowances	(1,494)	(168)
Tax losses not yet utilised	25,310	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	1999
	HK\$	HK\$
Final, proposed, of HK\$0.015 (1999: Nil) per ordinary share	16,708,495	—



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:

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

Emolument bands HK\$	Number of directors	
	2000	1999
0 - 1,000,000	7	7
1,000,001 - 1,500,000	—	—
1,500,001 - 2,000,000	2	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	1	—
	10	11
	10	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:

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

The emoluments fall within the following bands:

Emolument bands <i>HK\$</i>	Number of individuals	
	2000	1999
0 - 1,000,000	—	—
1,000,001 - 1,500,000	1	—
1,500,001 - 2,000,000	1	1
	<u>2</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								
	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\$
Cost or valuation									
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)
At 31st December 2000	6,000,000	10,971,141	97,484,671	22,725,020	21,643,337	7,358,363	50,712,467	162,378	217,057,377
Accumulated depreciation									
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)
At 31st December 2000	—	—	7,626,160	7,586,267	9,369,626	1,487,137	30,785,442	—	56,854,632
Net book value									
At 31st December 2000	6,000,000	10,971,141	89,858,511	15,138,753	12,273,711	5,871,226	19,927,025	162,378	160,202,745
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	
Shares held directly:—					
First Shanghai Properties Limited	Hong Kong	16,500,002 ordinary shares of HK\$1 each	100%	100%	Property investment
First Shanghai Management Services Limited	Hong Kong	1,200,000 ordinary shares of HK\$1 each	100%	100%	Agency, management and secretarial services
First Shanghai Nominees Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Nominee services
First Shanghai Direct Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Investment holding
FS Assets Management Limited (formerly known as First Shanghai Assets Management Limited)	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Consultancy services
* First Shanghai Securities Investment Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	100%	Share investment
* UAT Holdings Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	100%	Investment holding
* Asian & Pacific Commercial Bank Limited	Vanuatu	250,000 ordinary shares of A\$1 each 250,000 preference shares of A\$1 each	100%	100%	Banking services
* P.I. Investments Australia Pty. Limited	Australia	2,000,000 ordinary shares of A\$1 each	100%	100%	Share investment
* First Shanghai Finance Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Money lending
* First Information Technology Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding



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	
Shares held directly (Cont'd):—					
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
Shares held indirectly:—					
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	
Shares held indirectly (Cont'd):—					
* Atlas Securities Pty. Limited	Australia	2 ordinary shares of A\$1 each	100%	100%	Share investment
* Public Holdings (Australia) Limited (Listed in Sydney, Australia)	Australia	3,744,750 ordinary shares of A\$0.5 each	74.2%	74.2%	Securities investment
* P.H.A. Investments Pty. Limited	Australia	60,000 ordinary shares of A\$2 each	74.2%	74.2%	Property investment
* P.H.A. Trading Pty. Limited	Australia	2 ordinary shares of A\$0.5 each	74.2%	74.2%	Securities investment
China C&Y International Holdings Limited	Cayman Islands	160,000 ordinary shares of US\$1 each	100%	100%	Investment holding
* Illumination International Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
BonVision Technology (Hong Kong) Limited	Hong Kong	33,333 ordinary shares of HK\$1 each	63%	—	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.



NOTES TO THE ACCOUNTS

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 HK\$	1999 HK\$	2000 HK\$	1999 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 HK\$	1999 HK\$	2000 HK\$	1999 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 HK\$	1999 HK\$	2000 HK\$	1999 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**

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

16 INVENTORIES

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

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

17 OTHER INVESTMENTS

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

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

20 SHARE CAPITAL

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



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	8,056,180	11,960,780
7th October 2005	0.342	7,338,100	7,338,100
15th July 2006	0.318	11,938,556	14,012,256
12th November 2007	0.816	18,500,000	18,150,000
15th July 2008	0.283	17,076,000	21,444,000
6th December 2009	0.493	200,000	—
		<u>63,108,836</u>	<u>72,905,136</u>


NOTES TO THE ACCOUNTS
21 RESERVES

Group	*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\$
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\$
Group (Cont'd)							
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)
At 31st December 2000	594,609,511	1,590,118	12,534,400	—	49,582,825	(6,346,493)	651,970,361
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)
At 31st December 2000	594,609,511	1,590,118	12,534,400	—	49,582,825	(6,346,493)	651,970,361

* 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)

Company	*Share premium and warrant reserve HK\$	Capital reserve HK\$	Capital redemption reserve HK\$	Total HK\$
At 1st January 1999	522,878,613	2,103,163	10,171,200	535,152,976
Premium on issue of shares net of expenses	<u>47,857,922</u>	<u>—</u>	<u>—</u>	<u>47,857,922</u>
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	<u>—</u>	<u>—</u>	<u>2,363,200</u>	<u>2,363,200</u>
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

	Group		Company	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Company and its subsidiaries	70,656,918	49,171,044	77,217,207	81,378,264
Associated companies	(12,234,579)	(21,787,645)	—	—
Jointly controlled entities	45,312,873	37,044,534	—	—
	<u>103,735,212</u>	<u>64,427,933</u>	<u>77,217,207</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 <i>HK\$</i>	1999 <i>HK\$</i>
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	793,926,416	728,426,254	41,197,977	93,774,821	6,510,762	98,084,884
Exchange differences	—	—	(1,522,674)	562,871	4,682	—
Minority interests' share of profits	—	—	2,580,148	16,629,988	—	—
Reclassification of a subsidiary to jointly controlled entity	—	—	—	(69,769,703)	—	(83,612,148)
Acquisition of a subsidiary	—	—	2,046,291	—	—	—
Cash inflows/(outflows) from financing	23,439,036	65,500,162	1,466,677	—	(3,720,000)	(7,961,974)
At 31st December	<u>817,365,452</u>	<u>793,926,416</u>	<u>45,768,419</u>	<u>41,197,977</u>	<u>2,795,444</u>	<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	1,856,457	—
	<u>7,846,567</u>	—
Satisfied by		
Cash	<u>7,846,567</u>	—


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

(e) Sale of a subsidiary

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

(f) Reclassification of a subsidiary to jointly controlled entity

	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
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>


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	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
Guarantee for bank loans of a jointly controlled entity*	70,122,000	—	70,122,000	—

* 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	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
Contracted but not provided for	4,282,125	—	—	—
Authorised but not contracted for	1,236,000	23,219,054	—	—
	5,518,125	23,219,054	—	—

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	1,615,191	42,418,858	—	—
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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.