

**1 PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these accounts are set out below:

**(a) Basis of preparation**

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain investments in securities are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.

**(b) Group accounting***(i) Consolidation*

The consolidated accounts include the accounts of the company and its subsidiaries made up to 31 December. A subsidiary is an entity controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where an interest in a subsidiary was acquired with the intention that the control be temporary, the interest is classified as a current asset and is accounted for at the same policy as other investments under the accounting policies of investments in securities.

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, as appropriate.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

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

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (b) Group accounting (Continued)

#### (i) Consolidation (Continued)

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

#### (ii) Associated companies

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

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

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

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

Where the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provides evidence of an impairment of the assets transferred.

#### (iii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

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

### (c) Properties under development

Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for investment purposes or no decision has yet been made on their future use. These properties are carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses.

**1 PRINCIPAL ACCOUNTING POLICIES (Continued)****(d) Properties for sale/properties under development for sale**

Properties for sale are stated at the lower of cost and net realisable value. Cost includes land cost, construction cost, interest, finance charges and other direct costs. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Where presale has taken place, properties under development for sale are stated at cost plus attributable profits less foreseeable losses and deposits received from presale; otherwise, properties under development for sale are stated at the lower of cost and net realisable value. Cost includes land cost, construction cost, interest, finance charges and other direct cost attributable to the development of the properties. Foreseeable losses represent estimated or actual selling price less all costs to completion and selling expenses. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(e) Leasehold land and buildings and other fixed assets**

Leasehold land and buildings and other fixed assets comprising leasehold improvements, furniture, fixtures and equipment, plant and machinery, moulds and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended uses.

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

Buildings	2%
Leasehold improvements	20% - 33 $\frac{1}{3}$ %
Furniture, fixtures and equipment	20% - 33 $\frac{1}{3}$ %
Plant and machinery	20%
Moulds	20%
Motor vehicles	20%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

**(f) Impairment and gain or loss on sale**

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in properties under development, properties under development for sale and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset 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.

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (g) Assets under leases

#### (i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

#### (ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

### (h) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associate at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is amortised over a maximum period of 15 years.

Goodwill on acquisitions that occurred prior to 1 January 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31. In accordance with the transitional provisions of SSAP 30, where an impairment loss has arisen since the date of acquisition on goodwill previously written off against reserves, and previously there was not a policy to recognise such impairment losses, this change in accounting policy has been applied retrospectively and the impairment losses have been recognised as a prior year adjustment to opening retained earnings in accordance with SSAP 2. The comparative accounts for 2000 have been restated to conform to the changed policy. As detailed in note 3 and note 27, the opening retained earnings for 2000 have been reduced by HK\$372,723,000 which is the amount of the adjustment in respect of impairment losses relating to periods prior to 2000. This change has resulted in a reduction in profit for the year by HK\$21,680,000 (2000: HK\$431,931,000) for impairment losses during the year.

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

**1 PRINCIPAL ACCOUNTING POLICIES (Continued)****(i) Goodwill of Flourmill Businesses**

Goodwill of Flourmill Businesses, which represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of the Flourmill Businesses, is amortised on a straight line basis over its useful economic life not exceeding twenty years.

**(j) Investments in securities**

Investment are classified as investment securities and other investments.

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

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.

**(k) Inventories**

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where appropriate, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

**(l) Loans and accounts receivable**

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

**(m) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (n) Provisions

In accordance with SSAP 28, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (o) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### (p) 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.

### (q) 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.

Service income is recognised on completion of contract which typically lasts for one to six months.

Proceeds from disposal of securities are recognised when a sale and purchase contract is entered into.

Income from the sale of completed properties is recognised on execution of a binding sales agreement.

Income from properties pre-sold prior to completion of development is recognised over the period from the execution of a binding sales agreement to the completion of development on the basis of development costs to date as a proportion of estimated total development costs.

**1 PRINCIPAL ACCOUNTING POLICIES (Continued)****(q) Revenue recognition (Continued)**

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

Brokerage income, commission income, advisory fees, introductory fees, nominee income and management fee are recognised when the service is rendered, the income can be reliably estimated and it is probable that the revenue will be received.

Profit or loss on futures and equity option trading and other financial derivative products is recognised on a trade date basis when a sale and purchase contract is entered into.

**(r) Retirement benefit costs**

The Group participates in the Mandatory Provident Fund scheme (the "MPF Scheme") as from 1 December 2000. Under the MPF Scheme, both the Group and its employees are required to contribute 5% of the employees' relevant income. The mandatory contributions required to be made by each of the Group and an employee are capped at HK\$1,000 per month. Members are entitled to 100% of the employers' mandatory contributions as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 or in accordance with the rules of the MPF Scheme.

The Group also makes voluntary contributions to the MPF Scheme, which represents the difference between the capped amount and 5% of the employees' monthly basic salaries. The percentage of voluntary contributions vested in the employees is subject to their years of services with the Group.

The Group's contributions to the MPF Scheme are charged to the profit and loss account as incurred in accordance with the rules of the scheme and are reduced by the voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully in the voluntary contributions. The assets of the MPF Scheme are also held separately from those of the Group in funds under control of an independent trustee.

**(s) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (t) Segment reporting

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

Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables, operating cash and investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets (note 12) and fixed assets (note 13), including additions resulting from acquisitions through purchases of subsidiaries (note 30(e)).

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

### (u) Dividends

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 27, this change has resulted in an increase in opening contributed surplus at 1 January 2001 by HK\$22,930,000 (1 January 2000: nil) which is the reversal of the provision for 2000 proposed final dividend previously recorded as a liability as at 31 December 2000 although not declared until after the balance sheet date.



**2 TURNOVER, REVENUE AND SEGMENT INFORMATION**

The Group is principally engaged in the provision of financial services, consulting, marketing and technology services, direct investments, property development, industrial and management operating services. Revenues recognised during the year are as follows:

	2001	2000
	HK\$'000	HK\$'000
<b>Turnover</b>		
Sales of goods	32,222	90,743
Sales of properties and investments	143,484	42,750
Service income		
- provision of public relations and cultural services	14,383	9,047
- provision of technology consulting and development services	105,888	5,833
Brokerage income from securities dealing and equity options trading	21,777	52,479
Brokerage income from futures and options contracts trading	1,133	3,763
Advisory fee, introductory fee and other commission income	18,545	33,324
Interest income	9,233	25,489
Nominee income	—	656
Net gain arising from financial derivative products	1,485	3,284
Total turnover	348,150	267,368
Other revenues	3,372	3,878
Total revenues	351,522	271,246

- (a) The Group's equity interest in a number of companies engaged in corporate finance activities, margin financing and securities, commodities, options and futures broking (collectively, the "SBI E2-Capital Group") has been reduced from 100% to 49% in the current year. Accordingly the Group ceased consolidating the accounts of SBI E2-Capital Group upon the said reduction of equity interest and the SBI E2-Capital Group has since been equity accounted for in the consolidated accounts.
- (b) The Group's equity interest in a number of companies engaged in the manufacture and sale of quality plastic and paper boxes for luxury consumer goods (collectively, the "Winbox Group") has been reduced from 88% to 38% in the current year. Accordingly the Group ceased consolidating the accounts of Winbox Group upon the said reduction of equity interest and the Winbox Group has since been equity accounted for in the consolidated accounts.
- (c) The Group's entire equity interest in a number of companies engaging in the provision of consulting, marketing and technology services (collectively, the "ebizal Group") has been disposed of by the Group in January 2002 (see note 34). Accordingly the Group will cease consolidating the accounts of ebizal Group upon completion of the said disposal.

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

### Primary reporting format - business segments

The Group is organised into six main business segments:

- Broking services - securities broking and provision of margin financing, commodities, options and futures broking
- Industrial and Management operating services - manufacture of quality plastic and paper boxes for luxury consumer goods, provision of asset management services
- Investment banking - provision of corporate finance services
- Direct investments - securities trading
- Property - property development
- Consulting, Marketing and Technology services - provision of technology consulting and development services, public relations services

### Secondary reporting format - geographical segments

Although the Group's six business segments are managed on a worldwide basis, they operate in five main geographical areas :

The People' Republic of China including Hong Kong - broking services, industrial and management operating services, investment banking, direct investments, property and consulting, marketing and technology services

Europe - industrial

North America - industrial and investment banking

South East Asia - industrial , investment banking, consulting, marketing and technology services

Japan and North Asia - industrial, investment banking and management operating services

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

## Primary reporting format - business segments

	2001						Group
	HK\$'000						
	Broking services	Industrial & Management operating services	Investment banking	Direct investments	Property	Consulting, Marketing & Technology services	
Turnover	26,124	32,222	18,545	4,805	146,183	120,271	348,150
Segment results	93	7,269	7,175	(300)	8,057	(24,365)	(2,071)
Net investment gain							127,321
General corporate expenses							(51,467)
Operating profit before provision for impairment of goodwill							73,783
Provision for impairment of goodwill on adoption of SSAP 31	—	—	—	(1,136)	(120)	(20,424)	(21,680)
Operating profit							52,103
Finance costs	(654)	(206)	(2)	(1,052)	(302)	(896)	(3,112)
Share of losses less profits of associates	478	4,603	(10,437)	(321)	(207)	—	(5,884)
Profit before taxation							43,107
Taxation							(2,687)
Profit after taxation							40,420
Minority interests							(5,384)
Profit attributable to shareholders							35,036
Segment assets	—	—	47,607	249,136	665,102	31,560	993,405
Investments in associates	44,904	43,034	17,391	(1,525)	(201)	—	103,603
Unallocated assets							104,986
Total assets							1,201,994
Segment liabilities	2,597	141	8,319	1,730	139,348	30,119	182,254
Unallocated liabilities							27,213
Total liabilities							209,467
Capital expenditure	157	378	26,530	24,384	—	1,095	52,544
Depreciation	310	496	1,786	1,683	120	1,905	6,300
Amortisation charge	—	—	807	—	—	—	807

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

### Primary reporting format - business segments (Continued)

	As restated 2000						Group
	HK\$'000						
	Broking services	Industrial & Management operating services	Investment banking	Direct investments	Property	Consulting Marketing & Technology services	
Turnover	115,215	90,743	31,229	15,301	—	14,880	267,368
Segment results	20,813	25,814	14,570	3,953	(5,947)	(6,468)	52,735
Net investment gain							38,400
General corporate expenses							(22,932)
Operating profit before provision for impairment of goodwill							68,203
Provision for impairment of goodwill on adoption of SSAP 31	—	—	(338,603)	(73,834)	—	(19,494)	(431,931)
Operating loss							(363,728)
Finance costs	(1,812)	(3)	—	(1,978)	(440)	(36)	(4,269)
Share of profits less losses of associates	6,057	—	(580)	(1,394)	—	—	4,083
Loss before taxation							(363,914)
Taxation							(3,307)
Loss after taxation							(367,221)
Minority interests							1,722
Loss attributable to shareholders							(365,499)
Segment assets	378,894	123,856	45,247	75,552	660,434	29,631	1,313,614
Investments in associates	—	—	—	4,529	—	—	4,529
Unallocated assets							118,905
Total assets							1,437,048
Segment liabilities	194,485	29,541	5,870	1,268	207,324	17,332	455,820
Unallocated liabilities							27,723
Total liabilities							483,543
Capital expenditure	43,680	3,151	362,250	4,325	—	102,624	516,030
Depreciation	552	1,250	836	1,609	120	1,136	5,503
Amortisation charge	—	—	—	1,287	—	—	1,287

**2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)****Secondary reporting format - geographical segments**

	Turnover		Operating profit / (loss) before provision for impairment of goodwill	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
The Peoples' Republic of China including Hong Kong	314,857	176,367	70,747	47,669
Europe	19,149	48,725	3,461	12,771
North America	3,264	17,433	(1,392)	4,251
South East Asia	7,587	13,198	970	957
Japan and North Asia	669	6,340	(417)	1,336
Others	2,624	5,305	414	1,219
	<u>348,150</u>	<u>267,368</u>	<u>73,783</u>	<u>68,203</u>

As the total carrying amount of segment assets and the total cost incurred during the year to acquire segment assets for each geographical segment other than the Peoples' Republic of China including Hong Kong are less than 10% of the total assets of all geographical segments, no separate disclosure is shown for segment assets by geographical segment.

**3 PROVISION FOR IMPAIRMENT OF GOODWILL ON ADOPTION OF SSAP 31**

As at 31 December 2001, the Group performed an assessment of the fair value of its intangible assets, including goodwill, that had previously been eliminated against reserves. The assessment was based on the present value of estimated future cash flows or net selling price of the assets (investments), as appropriate. As a result of this assessment, a provision of HK\$21,680,000 has been made for the year ended 31 December 2001 for impairment in goodwill arising from acquisition of the investments. In addition, the same assessment was also carried out in respect of the goodwill previously eliminated against reserves. As a result, it was determined that diminutions in value amounting to HK\$431,931,000 and HK\$372,723,000 respectively had occurred in 2000 and periods prior to 2000, and in accordance with the transitional provisions of SSAP 30, the Group has retrospectively restated the reported results for the year ended 31 December 2000 from a profit of HK\$66,432,000 to a loss of HK\$365,499,000, the opening retained earnings of the Group as at 1 January 2001 of HK\$105,524,000 to the opening accumulated losses of HK\$699,130,000 and the opening accumulated losses of the Group as at 1 January 2000 of HK\$262,467,000 to HK\$635,190,000 (notes 1(h) and 27).

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 4 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after crediting and charging the following:

	2001	2000
	HK\$'000	HK\$'000
<b>Crediting</b>		
Gain on disposal of fixed assets	125	—
<b>Charging</b>		
Depreciation:		
Owned fixed assets	6,210	5,413
Leased fixed assets	90	90
Staff costs (including directors' remuneration)	83,171	69,225
Operating leases		
Hire of plant and machinery	40	—
Land and buildings	6,459	5,222
Retirement benefit costs ( <i>note 10</i> )	3,143	1,498
Auditors' remuneration	1,089	1,028
Amortisation of goodwill	807	1,287
Provision for doubtful receivables	18,120	3,764

## 5 FINANCE COSTS

	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans		
Wholly repayable within five years	12,759	9,296
Not wholly repayable within five years	2,102	7,695
Interest on other loans		
Not wholly repayable within five years	230	2,135
Interest element of finance leases	6	18
Total borrowing costs incurred	15,097	19,144
Less: amount capitalised in properties under development and properties under development for sale	(11,985)	(14,875)
	3,112	4,269

The capitalisation rate applied to funds borrowed generally and used for the development of properties under development is between Hong Kong dollar prime rate plus 0.25% and Hong Kong dollar prime rate plus 1.5% per annum.

**6 TAXATION**

Hong Kong profits tax has been provided at the rate of 16% (2000: 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.

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

	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax	2,436	5,278
Over provisions in prior years	—	(1,971)
	2,436	3,307
Share of taxation attributable to associated companies	251	—
	<u>2,687</u>	<u>3,307</u>

There was no material unprovided deferred taxation for the year.

**7 PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS**

The profit/(loss) attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$404,431,000 (2000: profit HK\$8,856,000).

**8 DIVIDENDS**

	2001	2000
	HK\$'000	HK\$'000
Interim, paid, of 1 HK cent (2000: 1 HK cent) per ordinary share	11,456	11,469
Final, proposed, of 0.25 HK cent (2000: 2 HK cents) per ordinary share ( <i>Note (b)</i> )	2,864	22,930
	<u>14,320</u>	<u>34,399</u>

*Notes:*

- (a) The previously recorded final dividend proposed and declared after the balance sheet date but accrued in the accounts for the year ended 31 December 2000 was HK\$22,930,000. In accordance with the revised SSAP 9, these have been written back against opening reserves as at 1 January 2001 in note 27 and are now charged in the period in which they were proposed.
- (b) At a meeting held on 26 March 2002 the directors proposed a final dividend of 0.25 HK cent per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of contributed surplus of the Company for the year ending 31 December 2002.

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 9 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK\$35,036,000 (2000 as previously reported: profit of HK\$66,432,000; 2000 as restated: loss of HK\$365,499,000).

The basic earnings per share is based on the weighted average of 1,146,155,843 (2000: 962,453,150) ordinary shares in issue during the year. The exercise of options would have anti-dilutive effects on the basic earnings per share and accordingly no diluted earnings per share for the year is presented.

## 10 RETIREMENT BENEFIT COSTS

No forfeited contributions were utilized during the year (2000: HK\$69,000). At 31 December 2001, the total amount of unutilised forfeited contributions was immaterial.

Contributions totalling HK\$261,000 (2000: HK\$nil) were payable to the fund at the year end and are included in other payables.

## 11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

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

	2001	2000
	HK\$'000	HK\$'000
Fees		
- Executive	—	—
- Non-executive	—	—
- Independent non-executive	—	—
Other emoluments:		
Basic salaries, discretionary bonuses, housing allowances, share options, other allowances and benefits in kind	13,187	11,765
Contributions to pension schemes for directors		
- as directors	299	185
- for other offices	—	—
	<u>13,486</u>	<u>11,950</u>



11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2001	2000
HK\$nil - HK\$1,000,000	1	9
HK\$1,000,001 - HK\$1,500,000	—	1
HK\$1,500,001 - HK\$2,000,000	—	1
HK\$6,000,001 - HK\$6,500,000	1	—
HK\$6,500,001 - HK\$7,000,000	1	—
HK\$8,000,001 - HK\$8,500,000	—	1
	<u>          </u>	<u>          </u>

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2000: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2000: two) individuals during the year are as follows:

	2001	2000
	HK\$'000	HK\$'000
Basic salaries, discretionary bonuses, housing allowances, share options, other allowances and benefits in kind	3,927	2,364
Pensions	141	10
	<u>          </u>	<u>          </u>
	<u>4,068</u>	<u>2,374</u>

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2001	2000
HK\$nil - HK\$1,000,000	—	—
HK\$1,000,001 - HK\$1,500,000	2	2
HK\$1,500,001 - HK\$2,000,000	1	—
	<u>          </u>	<u>          </u>

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 12 INTANGIBLE ASSETS

	HK\$'000
Goodwill	
As at 1 January 2001	—
Acquisition of subsidiaries ( <i>note 30(e)</i> )	24,270
Amortisation charge	(807)
Impairment charge	(48)
	<u>23,415</u>
At 31 December 2001	<u><u>23,415</u></u>

## 13 FIXED ASSETS

	Group						Total HK\$'000
	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Moulds HK\$'000	Motor vehicles HK\$'000	
Cost:							
At 1 January 2001	16,225	10,889	19,246	6,838	6,784	1,692	61,674
Additions	—	668	4,548	56	198	1,871	7,341
Acquisition of subsidiaries	—	—	240	—	—	—	240
Disposal of subsidiaries	(13,225)	(3,736)	(7,803)	(6,894)	(6,982)	—	(38,640)
Disposals	—	(1,708)	(4,694)	—	—	(1,368)	(7,770)
At 31 December 2001	<u>3,000</u>	<u>6,113</u>	<u>11,537</u>	<u>—</u>	<u>—</u>	<u>2,195</u>	<u>22,845</u>
Accumulated depreciation:							
At 1 January 2001	1,497	7,350	8,642	6,606	5,757	1,214	31,066
Charge for the year	252	1,451	3,915	60	223	399	6,300
Acquisition of subsidiaries	—	—	26	—	—	—	26
Disposal of subsidiaries	(1,389)	(3,369)	(4,987)	(6,666)	(5,980)	—	(22,391)
Disposals	—	(763)	(1,410)	—	—	(938)	(3,111)
At 31 December 2001	<u>360</u>	<u>4,669</u>	<u>6,186</u>	<u>—</u>	<u>—</u>	<u>675</u>	<u>11,890</u>
Net book value:							
At 31 December 2001	<u>2,640</u>	<u>1,444</u>	<u>5,351</u>	<u>—</u>	<u>—</u>	<u>1,520</u>	<u>10,955</u>
At 31 December 2000	<u>14,728</u>	<u>3,539</u>	<u>10,604</u>	<u>232</u>	<u>1,027</u>	<u>478</u>	<u>30,608</u>
The above assets include the net book value of leased assets:							
At 31 December 2001	<u>—</u>	<u>—</u>	<u>49</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>49</u>
At 31 December 2000	<u>—</u>	<u>—</u>	<u>139</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>139</u>

13 FIXED ASSETS (Continued)

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

	Group			
	2001 HK\$'000	2000 HK\$'000		
In Hong Kong, held on Leases of between 10 to 50 years	—	10,617		
Outside Hong Kong, held on Leases of between 10 to 50 years	2,640	4,111		
	<u>2,640</u>	<u>14,728</u>		
	<b>Company</b>			
	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:				
At 1 January 2001	4,645	3,358	1,228	9,231
Additions	226	344	1,871	2,441
Disposals	(674)	(181)	(1,368)	(2,223)
At 31 December 2001	<u>4,197</u>	<u>3,521</u>	<u>1,731</u>	<u>9,449</u>
Accumulated depreciation:				
At 1 January 2001	2,778	904	942	4,624
Charge for the year	682	670	321	1,673
Disposals	(168)	(13)	(938)	(1,119)
At 31 December 2001	<u>3,292</u>	<u>1,561</u>	<u>325</u>	<u>5,178</u>
Net book value:				
At 31 December 2001	<u>905</u>	<u>1,960</u>	<u>1,406</u>	<u>4,271</u>
At 31 December 2000	<u>1,867</u>	<u>2,454</u>	<u>286</u>	<u>4,607</u>

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 14 PROPERTIES UNDER DEVELOPMENT

	Group	
	2001	2000
	HK\$'000	HK\$'000
Cost		
At 1 January	388,837	356,007
Additions	10,449	32,830
At 31 December	<u>399,286</u>	<u>388,837</u>
Provision	59,000	59,000
	<u>340,286</u>	<u>329,837</u>

The properties under development are situated in Hong Kong and their net book values are analysed as follows:

	2001	2000
	HK\$'000	HK\$'000
Leases of over 50 years	90,968	89,881
Leases of between 10 to 50 years	249,318	239,956
	<u>340,286</u>	<u>329,837</u>

As at 31 December 2001, interest expenses capitalised in the cost of properties under development amounted to HK\$52,878,000 (2000: HK\$ 44,996,000).

The properties under development have been pledged to secure banking facilities granted to the Group of HK\$109,500,000.

## 15 INVESTMENTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares at cost	1,185,916	1,185,916
Amounts due from subsidiaries (note 23)	973,931	1,025,694
Amounts due to subsidiaries (note 25)	(1,071,510)	(679,418)
	(97,579)	346,276

Amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms for repayment.

At 31 December 2001, the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Particulars of issued/registered capital	Interest held		Principal activities
			Direct %	Indirect %	
Access Way Investment Limited	Hong Kong	HK\$2	—	100	Property development
Active Way International Limited	Hong Kong	HK\$2	—	100	Property holding
Coreford Investments Limited	British Virgin Islands	US\$1	—	100	Investment holding
E2-Capital Japan K.K.	Japan	JPY10,000,000	—	100	General consultancy
e2-Capital Venture Limited	Cayman Islands	US\$2	100	—	Venture capital
ebizal Investments Limited (now known as ebizal (Holdings) Limited)	British Virgin Islands	US\$1	—	100	Investment holding
Ever Lead Limited	Hong Kong	Ordinary HK\$98 Non-voting deferred HK\$2 (Note a)	—	100	Property development

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration	Particulars of issued/registered capital	Interest held		Principal activities
			Direct %	Indirect %	
Ever Loyal Development Limited	Hong Kong	HK\$2	—	100	Property development
GlobalOffering.com Limited (acquired on 19 September 2001)	British Virgin Islands	US\$1	—	70	Provision of online marketing and roadshow services for the investment banking community
Goodwill Investment (BVI) Limited	British Virgin Islands	US\$100	100	—	Investment holding
Goodwill Properties (Holdings) Limited	British Virgin Islands	US\$1	—	100	Investment holding
Goodwill Properties Limited	Hong Kong	HK\$2	—	100	Investment holding
OpenIBN (HK) Limited (now known as OpenOffering Capital Limited)	Hong Kong	HK\$20,000,000	—	100	Provision of corporate finance services in Hong Kong
OpenIBN Technology Holdings Limited (now known as OpenOffering Technology Limited)	British Virgin Islands	US\$1,000	—	70	Investment holding
Orient World Investment Limited	Hong Kong	HK\$10	—	100	Property development
Right Way Holdings Limited	Hong Kong	HK\$10	—	70	Property development

*Note:*

- (a) The non-voting deferred shares are not owned by the Group. These non-voting deferred shares carry no voting rights and are not entitled to participate in the profits of the company.

15 INVESTMENTS IN SUBSIDIARIES (Continued)

The Company's principal subsidiaries listed above principally operate in Hong Kong except E2-Capital Japan K.K. which operates in Japan. The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of all other subsidiaries of the Company would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding as at 31 December 2001, or at any time during the year.

16 INVESTMENTS IN FLOURMILL BUSINESSES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets	8,675	8,675

In 1997, the Group acquired a number of businesses (the "Flourmill Businesses") which are principally engaged in the manufacture and sale of flour in the People's Republic of China for a consideration of approximately HK\$45,060,000. The Group does not have control over the financial and operating policies of the Flourmill Businesses. Accordingly, they have not been consolidated. In addition, upon acquisition of the Flourmill Businesses, the Group's stated intention was not to hold more than 50% equity interest of the Flourmill Businesses for the long term. This intention remains and the Group had continued during the last three years to actively negotiate with potential investors for the disposal of the other 50% equity interest in the Flourmill Businesses. As such, 50% of the investment cost of approximately HK\$22,530,000 (2000: HK\$22,530,000), net of a write down amounting to HK\$16,855,000 (2000: HK\$13,855,000), is still classified as other investments in current assets.

Pursuant to a conditional sale and purchase agreement dated 30 March 2001, the Group agreed to sell the entire interest of the Flourmill Businesses to an independent third party for a consideration of HK\$20,000,000. As certain conditions were not satisfied, the transaction was not completed.

At 31 December 2001, the Company held interests in the following Flourmill Businesses:

Name	Place of incorporation/ registration	Interest held indirectly %	Principal activities
Capital Star International Limited	Hong Kong	100	Investment holding
Mencheng Hua Feng Flour Co. Limited*	The People's Republic of China	60	Manufacture and sale of flour

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 16 INVESTMENTS IN FLOURMILL BUSINESSES (Continued)

Name	Place of incorporation/ registration	Interest held indirectly %	Principal activities
Polyrife China Limited	Hong Kong	100	Investment holding
Qingdao Ji Xing Flour Co. Limited*	The People's Republic of China	60	Manufacture and sale of flour
Shanghai Hualiang Flour Co. Limited*	The People's Republic of China	60	Manufacture and sale of flour
Wuxi Hua Feng Flour Co. Limited*	The People's Republic of China	60	Manufacture and sale of flour
Xian Renmin Flour Industry Co. Limited*	The People's Republic of China	60	Leasing of flourmill assets
Xinyi Hua Feng Flour Co. Limited*	The People's Republic of China	60	Manufacture and sale of flour

The Company's Flourmill Businesses listed above principally operate at the place of its incorporation/registration.

At the balance sheet date, certain of these Flourmill Businesses have unaudited net liabilities, in aggregate, of approximately HK\$16 million (2000: HK\$13 million) and their unaudited losses for the year ended 31 December 2001, in aggregate, were approximately HK\$3 million (2000: HK\$7 million). The Group's investments in these businesses have been written down to zero and in the opinion of the directors, the Group has no further obligations in respect of these net liabilities. Accordingly the directors consider that provision for obligations in respect of the net liabilities of these businesses is not necessary.

\* Sino-foreign equity joint ventures

## 17 INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets	103,603	4,529
Amounts due from associated companies (note 23)	505	—
Amounts due to associated companies (note 25)	(2,740)	(—)
	(2,235)	—

Amounts due from/to associated companies are unsecured, interest free and have no fixed terms of repayment.



## 17 INTERESTS IN ASSOCIATED COMPANIES (Continued)

At 31 December 2001, the Group held interests in the following principal associated companies:

Name	Place of incorporation/ registration	Interest held indirectly %	Principal activities
SBI China Provident Capital Management Limited	Hong Kong	24.5%	Fund Manager
SBI E2-Capital (HK) Limited (formerly known as e2-Capital (HK) Limited)	Hong Kong	49%	Provision of corporate finance services in Hong Kong
SBI E2-Capital Brokerage Limited (formerly known as e2-Capital Brokerage Limited)	Hong Kong	49%	Securities broking
SBI E2-Capital Commodities Limited (formerly known as e2-Capital Commodities Limited)	Hong Kong	49%	Broker of commodities, options and futures
SBI E2-Capital Pte Ltd	Singapore	27.44%	Provision of corporate finance services in Singapore
SBI E2-Capital Securities Limited (formerly known as e2-Capital Securities Limited)	Hong Kong	49%	Securities broking and margin financing
Winbox Company Limited	Hong Kong	38%	Manufacture and sale of quality plastic and paper boxes for luxury consumer goods

The principal place of operation of each company listed above is the same as its place of incorporation/registration.

To give details of all other associated companies of the Group would, in the opinion of the directors, result in particulars of excessive length.

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 17 INTERESTS IN ASSOCIATED COMPANIES (Continued)

As described in note 2(a), the Group's equity interest in the SBI E2-Capital Group has been reduced from 100% to 49% in the current year. Accordingly the Group ceased consolidating the accounts of SBI E2-Capital Group upon the said reduction of equity interest and the SBI E2-Capital Group has since been equity accounted for in the consolidated accounts. The summary of financial information of SBI E2-Capital Group for the year ended 31 December 2001 is as follows:

	2001
	HK\$'000
<b>Consolidated profit and loss account</b>	
Turnover	155,205
Loss before taxation	(13,831)
<b>Consolidated balance sheet</b>	
Total assets	190,263
Total liabilities	(66,566)
Total net assets	123,697

## 18 INVESTMENTS IN SECURITIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Investment securities		
Equity securities		
Listed in Hong Kong, at cost	188,500	—
Less: provision for impairment loss	(55,781)	—
	<u>132,719</u>	<u>—</u>
Unlisted, at cost	73,079	56,642
Less: provision for impairment loss	(14,524)	(10,000)
	<u>58,555</u>	<u>46,642</u>
Unlisted debt securities, at cost:	1,354	2,392
Total carrying amount of investment securities	<u>192,628</u>	<u>49,034</u>
Market value of listed equity securities	<u>59,628</u>	<u>—</u>
Investment securities analysed for reporting purpose:		
Current	—	—
Non-current	192,628	49,034
	<u>192,628</u>	<u>49,034</u>

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 18 INVESTMENTS IN SECURITIES (Continued)

	Group	
	2001	2000
	HK\$'000	HK\$'000
Other investments		
Equity securities, at fair value:		
Listed in Hong Kong	27,525	65,050
Listed overseas	2,377	5,704
Unlisted	5,675	9,614
	<u>35,577</u>	<u>80,368</u>
Unlisted debt securities, at fair value	—	3,899
Warrants, at fair value:		
Listed in Hong Kong	—	76,237
Total carrying amount of other investments	<u>35,577</u>	<u>160,504</u>
Market value		
Listed equity securities	29,902	70,754
Listed warrants	—	76,237
	<u>29,902</u>	<u>146,991</u>
Other investments analysed for reporting purpose:		
Current	8,116	90,767
Non-current	27,461	69,737
	<u>35,577</u>	<u>160,504</u>
Total investments in securities	<u>228,205</u>	<u>209,538</u>
Total investments in securities analysed for reporting purpose:		
Current	8,116	90,767
Non-current	220,089	118,771
	<u>228,205</u>	<u>209,538</u>

**18 INVESTMENTS IN SECURITIES (Continued)**

At 31 December 2001, the carrying amount of interest in the following company exceeded 10% of total assets of the Group:

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
Softbank Investment International (Strategic) Limited	Hong Kong	Investment holding	Ordinary shares of HK\$0.1 each	7.88%

	Company	
	2001	2000
	HK\$'000	HK\$'000
Investment securities		
Unlisted equity shares at cost	34,596	36,605
Less: provision for impairment loss	(11,605)	(10,000)
	<u>22,991</u>	<u>26,605</u>

In 2000, the cost represented the Company's 20% investment in Pacific Connections Limited ("PCL"), a web-development service company incorporated in Hong Kong. In the opinion of the directors, the Company did not have significant influence in the financial and operating policy decision of PCL in view of the fact that the other 80% equity interest in PCL was owned by another entity.

**19 MORTGAGE LOANS RECEIVABLE**

	Group	
	2001	2000
	HK\$'000	HK\$'000
Due within one year	104	62
Due after one year	18,461	4,261
	<u>18,565</u>	<u>4,323</u>

The mortgage loans receivable are secured by sub-mortgages of second ranking on certain residential properties in Hong Kong and bear interest at commercial rate.

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 20 OTHER NON-CURRENT ASSETS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Statutory and other deposits relating to the securities and futures dealing businesses	100	4,000	—	—
Chinese antiques	2,017	2,017	2,017	2,017
Other deposits	125	3,196	—	—
	<u>2,242</u>	<u>9,213</u>	<u>2,017</u>	<u>2,017</u>

## 21 PROPERTIES FOR SALE / PROPERTIES UNDER DEVELOPMENT FOR SALE

	Group	
	2001 HK\$'000	2000 HK\$'000
<b>Cost</b>		
At 1 January	182,620	168,403
Additions	58,181	14,217
Disposals	(146,817)	—
At 31 December	<u>93,984</u>	<u>182,620</u>
<b>Provision</b>		
At 1 January	55,000	55,000
Disposals	(33,534)	—
At 31 December	<u>21,466</u>	<u>55,000</u>
	<u>72,518</u>	<u>127,620</u>

The development of the properties under development for sale in 2000 was completed during the year.

As at 31 December 2001, interest expenses capitalised in the cost of properties for sale amounted to HK\$10,329,000 (capitalised in the cost of properties under development for sale in 2000: HK\$ 22,300,000).

At 31 December 2001, the properties for sale are situated in Hong Kong and are held under long term leases.

## 22 INVENTORIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Finished goods	4,200	3,577
Raw materials	—	9,349
Work in progress	—	2,008
	<u>4,200</u>	<u>14,934</u>

## 23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due from:				
Subsidiaries	—	—	973,931	1,025,694
Unconsolidated subsidiaries	—	671	—	446
Associated companies	505	—	—	—
Trade receivables - non financial services	22,282	17,964	—	—
Trade receivables - financial services	—	118,437	—	—
Other receivables, prepayments and deposits	22,149	33,397	4,775	3,074
	<u>44,936</u>	<u>170,469</u>	<u>978,706</u>	<u>1,029,214</u>

As described in note 2(a), the Group's equity interest in the SBI E2-Capital Group has been reduced from 100% to 49% in the current year. Accordingly the Group ceased consolidating the accounts of SBI E2-Capital Group upon the said reduction of equity interest; and the SBI E2-Capital Group has since been equity accounted for in the consolidated accounts. An ageing analysis of the balance of the trade receivables - financial services at 31 December 2000, which related mainly to the SBI E2-Capital Group, is therefore not presented.

The Group allows an average credit period of 60-90 days to trade debtors.

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 23 TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of the trade receivables - non financial services is as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0-60 days	19,819	10,329	—	—
61-90 days	1,666	3,758	—	—
Over 90 days	797	3,877	—	—
	<u>22,282</u>	<u>17,964</u>	<u>—</u>	<u>—</u>

## 24 BANK BALANCES AND CASH

The balance consists of:

Own account  
Segregated account for client's money  
Pledged bank deposits

Group	
2001	2000
HK\$'000	HK\$'000
122,399	276,256
—	43,717
—	5,000
<u>122,399</u>	<u>324,973</u>



## 25 TRADE AND OTHER PAYABLES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due to:				
An affiliated company	17	17	17	17
Subsidiaries	—	—	1,071,510	679,418
Unconsolidated subsidiaries	148	1,233	—	—
Associated companies	2,740	—	—	—
A director	—	531	—	—
Trade payables - non financial services	26,340	9,809	—	—
Trade payables - financial services	—	183,055	—	—
Other accounts payables and accruals	23,982	32,915	2,231	2,302
	<u>53,227</u>	<u>227,560</u>	<u>1,073,758</u>	<u>681,737</u>

As described in note 2(a), the Group's equity interest in the SBI E2-Capital Group has been reduced from 100% to 49% in the current year. Accordingly the Group ceased consolidating the accounts of SBI E2-Capital Group upon the said reduction of equity interest; and the SBI E2-Capital Group has since been equity accounted for in the consolidated accounts. An ageing analysis of the balance of the trade payables - financial services at 31 December 2000, which related mainly to the SBI E2-Capital Group, is therefore not presented.

The ageing analysis of trade payables - non financial services is as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0-60 days	24,395	6,588	—	—
60-90 days	1,424	696	—	—
Over 90 days	521	2,525	—	—
	<u>26,340</u>	<u>9,809</u>	<u>—</u>	<u>—</u>

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 26 SHARE CAPITAL

### Share Capital

	<u>Authorised</u>	
	Ordinary shares of US\$0.1 each	
	No. of shares	US\$'000
At 1 January 2000	1,000,000,000	100,000
Increase in authorised ordinary share capital on 18 April 2000	1,000,000,000	100,000
At 31 December 2000 and 31 December 2001	<u>2,000,000,000</u>	<u>200,000</u>
	<u>Issued and fully paid</u>	
	Ordinary shares of US\$0.1 each	
	No. of shares	US\$'000
At 1 January 2000	571,515,336	57,152
Issue of shares	581,677,000	58,168
Repurchase of shares	(6,668,000)	(667)
At 31 December 2000 and 1 January 2001	<u>1,146,524,336</u>	<u>114,653</u>
Repurchase of shares	(1,000,000)	(100)
At 31 December 2001	<u>1,145,524,336</u>	<u>114,553</u>
	2001	2000
	HK\$'000	HK\$'000
Shown in the accounts as	<u>893,509</u>	<u>894,289</u>

**26 SHARE CAPITAL (Continued)**

During the year, the Company repurchased its own shares through the Stock Exchange, all of which have been duly cancelled, as follows:

Month of repurchase	No. of shares repurchased	Price per share		Total consideration HK\$
		Highest HK\$	Lowest HK\$	
July	400,000	0.31	—	124,000
August	500,000	0.35	—	175,000
December	100,000	0.30	—	30,000
	<u>1,000,000</u>			<u>329,000</u>

**Share Option Scheme**

Under the share option scheme (the "Scheme") approved by the shareholders at a Special General Meeting of the Company held on 15 December 1992, the directors may, at their discretion, invite any full time employees or directors of the Company or any of its subsidiaries, as incentive to take up options to subscribe for shares which, in aggregate, may not exceed 10% of the issued share capital of the Company from time to time.

As at 31 December 2001, the total number of shares available for issue under the Scheme are 59,519,000 shares, representing approximately 5.2% of the total issued share capital thereof.

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 27 RESERVES

	Group					
	Contributed surplus	Share premium	Other reserve	(Goodwill)/ capital reserve	(Accumulated losses)/ retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2000, as previously reported	45,240	836,102	505	(425,534)	(262,467)	193,846
Effect of adopting SSAP 30 on impairment of goodwill (notes 1(h) and 3)	—	—	—	372,723	(372,723)	—
At 1 January 2000, as restated	45,240	836,102	505	(52,811)	(635,190)	193,846
Transfer from share premium to accumulated losses account resulting from capital reduction	—	(301,559)	—	—	301,559	—
Issue of shares	—	242,753	—	—	—	242,753
Share issue expenses	—	(7,003)	—	—	—	(7,003)
Goodwill on acquisitions of subsidiaries and associates	—	—	—	(426,136)	—	(426,136)
Reserve arising from shares repurchased	—	—	793	—	—	793
2000 interim dividend paid (note 8)	(11,469)	—	—	—	—	(11,469)
Impairment of goodwill (notes 1(h) and 3)	—	—	—	431,931	—	431,931
Loss for the year	—	—	—	—	(365,499)	(365,499)
At 31 December 2000	<u>33,771</u>	<u>770,293</u>	<u>1,298</u>	<u>(47,016)</u>	<u>(699,130)</u>	<u>59,216</u>
Representing:						
Contributed surplus at 31 December 2000	10,841					
2000 final dividend proposed	<u>22,930</u>					
At 31 December 2000	<u>33,771</u>					
Company and subsidiaries	33,771	770,293	1,298	(47,016)	(697,736)	60,610
Associated companies	—	—	—	—	(1,394)	(1,394)
At 31 December 2000	<u>33,771</u>	<u>770,293</u>	<u>1,298</u>	<u>(47,016)</u>	<u>(699,130)</u>	<u>59,216</u>

## 27 RESERVES (Continued)

	Group					Total
	Contributed surplus HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	(Goodwill)/ capital reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	HK\$'000
At 1 January 2001, as previously reported	10,841	770,293	1,298	(851,670)	105,524	36,286
Effect of adopting SSAP 9 (revised) on 2000 final dividend proposed (note 1(u))	22,930	—	—	—	—	22,930
Effect of adopting SSAP 30 on impairment of goodwill (notes 1(h) and 3)	—	—	—	804,654	(804,654)	—
As at 1 January 2001, as restated	33,771	770,293	1,298	(47,016)	(699,130)	59,216
Transfer from share premium to accumulated losses account resulting from capital reduction (Note (a))	—	(561,191)	—	—	561,191	—
Reserve reclassification (Note (b))	209,102	(209,102)	—	—	—	—
Goodwill realised on restructuring of businesses	—	—	—	2,260	—	2,260
Goodwill realised on disposal of subsidiaries	—	—	—	7,024	—	7,024
Goodwill arising on acquisition of additional interests in a subsidiary	—	—	—	6,553	—	6,553
Impairment of goodwill (note 3)	—	—	—	21,680	—	21,680
Reserve arising from share repurchased	—	—	450	—	—	450
Reserve arising from restructuring	—	—	1,185	—	—	1,185
Profit for the year	—	—	—	—	35,036	35,036
2000 final dividend paid (note 8)	(22,930)	—	—	—	—	(22,930)
2001 interim dividend paid (note 8)	—	—	—	—	(11,456)	(11,456)
At 31 December 2001	219,943	—	2,933	(9,499)	(114,359)	99,018
Representing:						
Contributed surplus at 31 December 2001	217,079					
2001 final dividend proposed	2,864					
At 31 December 2001	219,943					
Company and subsidiaries	219,943	—	2,933	(9,499)	(106,830)	106,547
Associated companies	—	—	—	—	(7,529)	(7,529)
At 31 December 2001	219,943	—	2,933	(9,499)	(114,359)	99,018

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 27 RESERVES (Continued)

	Contributed surplus HK\$'000	Share premium HK\$'000	Company			Total HK\$'000
			Other reserve HK\$'000	(Goodwill)/ capital reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	
At 1 January 2000	171,897	627,000	505	—	(301,559)	497,843
Transfer from share premium to accumulated losses account resulting from capital reduction	—	(301,559)	—	—	301,559	—
Issue of shares	—	242,753	—	—	—	242,753
Share issue expenses	—	(7,003)	—	—	—	(7,003)
Reserve arising from shares repurchased	—	—	793	—	—	793
2000 interim dividend paid	(11,469)	—	—	—	—	(11,469)
Net profit for the year	—	—	—	—	8,856	8,856
At 31 December 2000	<u>160,428</u>	<u>561,191</u>	<u>1,298</u>	<u>—</u>	<u>8,856</u>	<u>731,773</u>
Representing:						
Contributed surplus at 31 December 2000	137,498					
2000 final dividend proposed	22,930					
	<u>160,428</u>					
At 1 January 2001, as previously reported	137,498	561,191	1,298	—	8,856	708,843
Effect of adopting SSAP 9 (revised) on 2000 final dividend proposed (note 1(u))	22,930	—	—	—	—	22,930
At 1 January 2001, as restated	<u>160,428</u>	<u>561,191</u>	<u>1,298</u>	<u>—</u>	<u>8,856</u>	<u>731,773</u>
Transfer from share premium to retained profits account resulting from capital reduction (Note (a))	—	(561,191)	—	—	561,191	—
Reserve arising from share repurchased	—	—	450	—	—	450
Loss for the year	—	—	—	—	(404,431)	(404,431)
2000 final dividend paid (note 8)	(22,930)	—	—	—	—	(22,930)
2001 interim dividend paid (note 8)	—	—	—	—	(11,456)	(11,456)
At 31 December 2001	<u>137,498</u>	<u>—</u>	<u>1,748</u>	<u>—</u>	<u>154,160</u>	<u>293,406</u>
Representing:						
Contributed surplus at 31 December 2001	134,634					
2001 final dividend proposed	2,864					
	<u>137,498</u>					

## 27 RESERVES (Continued)

Notes:

- (a) Pursuant to a special resolution passed at the special general meeting of the Company held on 20 December 2001, the share premium account of the Company was reduced by HK\$561,191,000. The amount of HK\$561,191,000 arising from the reduction of the share premium account was credited to retained profits account of the Company as at 1 January 2001. Particulars of the reduction are set out in the Company's circular dated 23 November 2001 and were approved by the shareholders on 20 December 2001.
- (b) In previous years, in the consolidated accounts of the Group, the share premium of a subsidiary was included as part of the share premium of the Group. In order to conform with the current generally accepted accounting practice, this balance, amounting to HK\$209,102,000, has been reclassified from Group share premium to contributed surplus.
- (c) The Company's contributed surplus represents the difference between net assets of the companies acquired as at 15 December 1992 and the aggregate nominal value of shares issued by the Company under the scheme of arrangement which became effective on that date, less dividend paid and payable from this account afterwards. The Group's contributed surplus represents credit arising from the reorganisation pursuant to the scheme of arrangement. Under The Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus account if:
- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
  - (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 December 2001 were as follows:

	HK\$'000
Contributed surplus	137,498
Retained profits	154,160
	<u>291,658</u>

- (d) Other reserve of the Company arose as a result of repurchase of the Company's listed securities and represents the excess of the consideration paid over the nominal value of the shares repurchased.

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 28 LONG-TERM LIABILITIES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans				
Secured	120,000	200,481	10,500	18,200
Other loans				
Secured	2,467	3,026	—	—
Obligations under finance leases	49	116	—	—
	<u>122,516</u>	<u>203,623</u>	<u>10,500</u>	<u>18,200</u>
Current portion of long-term liabilities	(74,575)	(137,919)	(10,500)	(7,700)
	<u>47,941</u>	<u>65,704</u>	<u>—</u>	<u>10,500</u>
The analysis of the above is as follows:				
Bank loans				
Wholly repayable within five years	87,550	162,131	10,500	18,200
Not wholly repayable within five years	32,450	38,350	—	—
	<u>120,000</u>	<u>200,481</u>	<u>10,500</u>	<u>18,200</u>
Other loans and obligations under finance leases				
Wholly repayable within five years	49	116	—	—
Not wholly repayable within five years	2,467	3,026	—	—
	<u>122,516</u>	<u>203,623</u>	<u>10,500</u>	<u>18,200</u>
Current portion of long-term liabilities	(74,575)	(137,919)	(10,500)	(7,700)
	<u>47,941</u>	<u>65,704</u>	<u>—</u>	<u>10,500</u>



**28 LONG-TERM LIABILITIES (Continued)**

Other loans and obligations under finance leases not wholly repayable within five years are repayable by instalments from 1 January 2002 to 30 November 2018. Interest is charged on the outstanding balances at Hong Kong dollar prime rate plus 1.5% p.a. (2000: Hong Kong dollar prime rate plus 1.5% p.a.).

At 31 December 2001, the Group's bank loans and other borrowings (excluding finance lease liabilities) were repayable as follows:

	Bank loans		Other loans	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	74,450	137,805	76	43
In the second year	24,900	16,400	76	71
In the third to fifth year	17,700	37,426	227	268
After the fifth year	2,950	8,850	2,088	2,644
	<u>120,000</u>	<u>200,481</u>	<u>2,467</u>	<u>3,026</u>

At 31 December 2001, the Group's finance lease liabilities were repayable as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Within one year	51	73
In the second year	—	51
	<u>51</u>	<u>124</u>
Future finance charges on finance leases	(2)	(8)
Present value of finance lease liabilities	<u>49</u>	<u>116</u>
The present value of finance lease liabilities is as follows:		
Within one year	49	71
In the second year	—	45
	<u>49</u>	<u>116</u>

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 29 LOAN FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The loan from a minority shareholder of a subsidiary is unsecured, non-interest bearing and will not be repaid in the next twelve months.

## 30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	As restated 2000
	HK\$'000	HK\$'000
Profit/(loss) before taxation	43,107	(363,914)
Share of results of associates	5,884	(4,083)
Depreciation	6,300	5,503
Amortisation of goodwill	807	1,287
Gain on disposal of interests in subsidiaries (net)	(246,127)	—
Provision for impairment of investments in securities and associates	118,806	10,000
(Gain)/loss on disposal of fixed assets	(125)	303
Gain on disposal of investment properties	(2,362)	—
Provision for loans receivables	15,600	—
Impairment of goodwill	21,680	431,931
Realised gain on investment in securities	—	(10,399)
Unrealised gain on investment in securities	—	(38,001)
Decrease in properties for sale	59,205	—
(Increase)/decrease in inventories	(3,297)	272
Increase in trust account	(23,491)	—
Increase in trade and other receivables	(112,784)	(14,025)
Increase in other investments	(38,914)	(29,892)
Increase/(decrease) in trade and other payables	134,811	(14,856)
Interest expenses	3,112	4,269
Provision for obsolete inventories	—	1,400
Net cash outflow from operating activities	<u>(17,788)</u>	<u>(20,205)</u>

## 30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

## (b) Analysis of changes in financing during the year

	Share capital, share premium and other reserve		Bank loans, other loans and obligations under finance leases		Minority interests	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	1,665,880	1,282,389	223,689	154,510	22,373	9,267
Issue of shares for cash	—	277,954	—	—	—	—
New loans raised	—	—	3,324	76,780	—	—
Minority interests' in share of profits/(losses)	—	—	—	—	5,384	(1,722)
Shares repurchased and cancelled	(330)	(4,408)	—	—	—	—
Disposal of interest in subsidiaries to minority shareholders	—	—	—	—	2,299	—
Decrease in minority interests upon disposal of subsidiaries	—	—	—	—	(21,610)	—
Increase in minority interests upon acquisition of subsidiaries	—	—	—	—	7,020	14,828
Decrease in minority interests upon acquisition of additional interests in a subsidiary	—	—	—	—	(6,553)	—
Inception of finance leases	—	—	—	229	—	—
Repayment during the year	—	—	(84,431)	(7,830)	—	—
Other movements not involving cash flows:						
Reserve from restructuring of subsidiaries	1,185	—	—	—	—	—
Issue of shares for acquisition of subsidiaries and associates	—	376,500	—	—	—	—
Issue of shares for purchase of investment securities	—	35,004	—	—	—	—
Transfer from share premium to retained earnings/(accumulated losses) account resulting from capital reduction	(561,191)	(301,559)	—	—	—	—
Transfer from share premium to contributed surplus	(209,102)	—	—	—	—	—
At 31st December	<u>896,442</u>	<u>1,665,880</u>	<u>142,582</u>	<u>223,689</u>	<u>8,913</u>	<u>22,373</u>

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

### (c) Major non-cash transactions

Part of the consideration for the purchase of a subsidiary during the year comprised 300 ordinary shares in a subsidiary of USD10,000 each (2000: HK\$nil).

### (d) Sale of subsidiaries

	2001	2000
	HK\$'000	HK\$'000
Net assets disposed of:		
Fixed assets	16,249	—
Investment in securities	38,353	—
Other non-current assets	4,000	—
Inventories	14,031	—
Trade and other receivables	240,528	—
Other investments	115,841	—
Bank trust account	23,491	—
Bank balances	134,256	—
Trade and other payables	(313,647)	—
Taxation	(6,240)	—
Minority interests	(21,610)	—
	245,252	—
Gain on disposal	237,355	—
Goodwill realised on disposal	7,024	—
	489,631	—
Satisfied by:		
Interest in associated company	109,732	—
Investments in securities	188,500	—
Cash	191,399	—
	489,631	—

## 30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

## (d) Sale of subsidiaries (Continued)

	2001	2000
	HK\$'000	HK\$'000
Analysis of the net inflow in respect of the sale of subsidiaries:		
Cash consideration	191,399	—
Bank balances disposed of	(134,256)	—
Net cash inflow in respect of the sale of subsidiaries	<u>57,143</u>	<u>—</u>

The subsidiaries disposed of during the year contributed approximately HK\$75,499,000 (2000: HK\$230,311,000) to the Group's turnover and approximately HK\$13,599,000 (2000: HK\$106,913,000) to the Group's operating profit.

## (e) Purchase of subsidiaries

	2001	2000
	HK\$'000	HK\$'000
Net assets acquired		
Fixed assets	214	8,168
Investments in securities	21,753	64,514
Other non-current assets	—	4,125
Inventories	—	433
Trade and other receivables	—	132,578
Bank balances and cash	—	149,318
Trade and other payables	(1,034)	(212,455)
Bank overdrafts	—	(4,031)
Taxation	—	(1,217)
Minority interests	—	(14,828)
	<u>20,933</u>	<u>126,605</u>
Interest in associates	—	(34,763)
Goodwill	24,270	410,225
Gain on deemed disposal of interests in a subsidiary	(16,380)	—
Minority interests	(7,020)	—
	<u>21,803</u>	<u>502,067</u>
Satisfied by		
Allotment of shares	—	376,500
Cash	21,803	125,567
	<u>21,803</u>	<u>502,067</u>

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

### (e) Purchase of subsidiaries (Continued)

	2001	2000
	HK\$'000	HK\$'000
Analysis of the net (outflow)/inflow in respect of the purchase of subsidiaries:		
Cash consideration	(21,803)	(125,567)
Bank balances and cash in hand acquired	—	149,318
Bank overdrafts	—	(4,031)
Net cash (outflow)/inflow in respect of the purchase of subsidiaries	<u>(21,803)</u>	<u>19,720</u>

The results of the subsidiaries acquired during the year and their net assets as at 31 December 2001 attributable to the Group were a loss of HK\$12,755,000 and HK\$31,596,000 respectively.

## 31 CONTINGENT LIABILITIES

- (a) Corporate guarantees proportionate to the Group's interest were given to financial institutions for working capital facilities of associated companies and investee companies in addition to collaterals given by these companies. The aggregate amount of such facilities utilised by these companies, together with the corporate guarantees given by the Company to its subsidiary companies, at 31 December were as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investee companies	11,598	14,797	11,598	14,797
Subsidiary companies	—	—	109,500	154,827
Associated companies	2,450	—	2,450	—
	<u>14,048</u>	<u>14,797</u>	<u>123,548</u>	<u>169,624</u>

- (b) In addition, as disclosed in note 33(e) and (f), the Company provided guarantees to the Monetary Authority of Singapore in respect of the obligations and liabilities of an indirect associated company of the Company, SBI E2-Capital Pte Limited. As at 31 December 2001, the shareholders' fund and the total liabilities of SBI E2-Capital Pte Limited were HK\$12,466,000 and HK\$2,709,000 respectively.
- (c) For the purpose of the banking facilities of the SBI E2-Capital Group with a bank, a letter of undertaking was issued by the Group which undertakes to maintain the minimum net worth of no less than HK\$300 million at all times for the accounts of SBI E2-Capital Commodities Limited, SBI E2-Capital Brokerage Limited and SBI E2-Capital Securities Limited, subsidiaries of the SBI E2-Capital Group.

32 COMMITMENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
(a) Capital commitments for property, plant and equipment Contracted but not provided for	—	264
(b) Amount of capital commitments relating to investment projects are as follows: Contracted but not provided for	—	5,000
(c) Commitments under operating leases		

At 31 December 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2001	As restated 2000
	HK\$'000	HK\$'000
Not later than one year	3,138	664
Later than one year and not later than five years	5,417	14,482
Later than five years	—	—
	<u>8,555</u>	<u>15,146</u>

The Company did not have any commitments at 31 December 2001 (2000: Nil).

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

## 33 RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business during the year are as follows:

	Note	Group	
		2001 HK\$'000	2000 HK\$'000
Management fees received	(a)	8,853	1,841
Rental received for sharing of office space	(b)	2,672	—
Interest income	(c)	691	—
Financial advisory fee paid	(d)	3,960	—

- (a) The Group performed certain administrative services for the SBI E2-Capital Group in which the Group has a 49% interest as at 31 December 2001 (January to April 2000: 40%). Management fees calculated on pre-agreed terms were charged to the SBI E2-Capital Group.
- (b) The Group received rental from SBI E2-Capital Group for sharing of office space. In accordance with an agreement entered into by both parties, rental was calculated based on the actual rental paid by the Group to the landlord and the office space taken up by the SBI E2-Capital Group.
- (c) The Group received interest income at Hong Kong dollar prime rate plus 1% per annum on the amount due from the SBI E2-Capital Group.
- (d) Upon completion of the disposal of 51% interest in SBI E2-Capital Limited, the Group paid advisory fee to the SBI E2-Capital Group for advisory service provided at rates agreed in accordance with an agreement entered into by both parties in January 2001.
- (e) Prior to the Group's disposal of a 51% interest in SBI E2-Capital Limited to Softbank Investment International (Strategic) Limited ("Softbank Strategic"), the Company has given to the Monetary Authority of Singapore ("MAS") a guarantee (the "E2-Capital Guarantee-IAL"), as required under the MAS Investment Adviser Licence, pursuant to which the Company undertakes to maintain SBI E2-Capital Pte Limited ("SBI Pte") in a sound financial position and pay and settle all obligations and liabilities of SBI Pte during the subsistence of the guarantee. In connection with the Group's disposal of a 51% interest in SBI E2-Capital Limited to Softbank Strategic on 2 April 2001, the Group and Softbank Strategic have agreed between themselves that their respective responsibilities for the obligations and liabilities of SBI Pte should be determined by reference to their respective shareholdings in SBI E2-Capital Limited. Accordingly, the Group has agreed to indemnify Softbank Strategic for 49% of any claim under a similar guarantee given to MAS by Softbank Strategic and Softbank Strategic has agreed to indemnify the Group for 51% of any claim under the E2-Capital Guarantee-IAL.



### 33 RELATED PARTY TRANSACTIONS (Continued)

- (f) As a condition to the MAS granting the MAS Dealer Licence to SBI Pte, the Company has given to the MAS a guarantee dated 6 December 2001 (the "E2-Capital Guarantee-DL"), pursuant to which the Company undertakes to maintain SBI Pte in a sound financial position and pay and settle all obligations and liabilities of SBI Pte during the subsistence of the guarantee. The Group and Softbank Strategic have agreed between themselves that their respective responsibilities for the obligations and liabilities of SBI Pte should be determined by reference to their respective shareholdings in SBI E2-Capital Limited. Accordingly, the Group has agreed to indemnify Softbank Strategic for 49% of any claim under a similar guarantee given to MAS by Softbank Strategic and Softbank Strategic has agreed to indemnify the Group for 51% of any claim under the E2-Capital Guarantee-DL.
- (g) On 26 February 2000, Goodwill International (BVI) Limited ("Goodwill International BVI") and Crebox Limited ("Crebox") (both are indirect wholly-owned subsidiaries of the Company) together with the Company as warrantor granted to Goodwill International (Holdings) Limited ("Goodwill International") an option to acquire up to an aggregate of 6,502,672 shares in the issued share capital of Boxmore Limited ("Boxmore"), an indirectly owned subsidiary of the Company prior to 15 June 2001, representing 88% of Boxmore's issued share capital ("Boxmore Option"). The Boxmore Option was exercisable from 17 April 2000 to 16 April 2001 at the total price of HK\$88,000,000 for the 88% interest in Boxmore (or part thereof on a pro rata basis) to be settled in cash.

On 19 March 2001, the Group entered into an extension agreement (the "Extension Agreement") with Goodwill International, pursuant to which the exercise period of the Boxmore Option was extended for 3 months to 16 July 2001 (the "Extension"). No consideration was involved in the Extension. The Extension Agreement was approved by the shareholders of the Company on 12 April 2001.

On 23 May 2001, Goodwill International served a written notice on the Company, Goodwill International BVI and Crebox in accordance with an agreement dated 26 February 2000, as supplemented by the Extension Agreement, in relation to the granting of the Boxmore Option to exercise the option to acquire a 50% interest in Boxmore owned by the Group at a consideration of HK\$50,000,000. The transaction was completed on 15 June 2001.

### 34 SUBSEQUENT EVENTS

On 18 December 2001, the Company entered into a sale and purchase agreement with Softbank Strategic in relation to the disposal of the Group's entire equity interest in ebizal Investments Limited (subsequently renamed as ebizal (Holdings) Limited), an indirect wholly-owned subsidiary of the Company, for a total consideration of approximately HK\$68.1 million. The total consideration was satisfied as to (i) approximately HK\$51.9 million by way of disposal by Softbank Strategic to the Group of its entire equity interests in Cheung Wah Ho Dyestuffs Company Limited, Full Success Investments Limited, Lancerwide Company Limited and Lucky Happy Development Limited (the "Softbank Companies"), all of which are wholly-owned subsidiaries of Softbank Strategic, and the assignment by Softbank Strategic to the Group of the loans by Softbank Strategic to the Softbank Companies, the aggregate of which amounted to approximately HK\$62.7 million; and (ii) a sum of approximately HK\$16.2 million in cash. The transaction was completed on 24 January 2002 and the estimated gain in respect of this disposal is approximately HK\$13 million.

### 35 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 26 March 2002.