

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are applicable to the Group and effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34 (revised)	:	Employee benefits

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

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Group controls the composition of the board of Directors, controls more than half the voting power or holds more than half of the issued share capital. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal or change in status, as appropriate.

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

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

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

(b) Group accounting *(Cont'd)*

(i) Consolidation *(Cont'd)*

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

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

(ii) Jointly controlled entities

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

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

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

(iii) Associated companies

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

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

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

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

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Group accounting (Cont'd)

(iv) Translation of foreign currencies

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

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

(c) Fixed assets

(i) Investment properties

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

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

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

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

(ii) Leasehold land and buildings in Hong Kong

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

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

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

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

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

(iv) Construction-in-progress

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

(v) Depreciation of fixed assets

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

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

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

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(c) Fixed assets (Cont'd)

(vi) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets other than investment properties are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

(d) Intangible assets

(i) Goodwill/negative goodwill

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

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

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

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

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(d) Intangible assets (Cont'd)

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

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

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

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

(ii) Trading right

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

(iii) Impairment of intangible assets

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

(e) Operating leases

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

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(f) Investments in securities

(i) Investment securities

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

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

(ii) Other investments

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

(g) Inventories

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

(h) Accounts receivable

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

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(j) **Contingent liabilities**

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

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

(k) **Deferred taxation**

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(l) **Revenue recognition**

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

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

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

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

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

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

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(m) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Profit sharing and bonus plans

Provisions for profit sharing and bonus plans due wholly within twelve months after the balance sheet date are recognised as a liability when the group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Pension obligations

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

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

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

(iv) Equity compensation benefits

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

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(n) Segment reporting

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

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

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

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

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

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

Primary reporting format — business segments

The Group is organised into five main business segments:

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

Notes to the Accounts

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

Primary reporting format — business segments (Cont'd)

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

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

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

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

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

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

Secondary reporting format — geographical segments

The Group operates in two main geographical areas:

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

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

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

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

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

There are no sales among the geographical segments.

3. OPERATING (LOSS)/PROFIT

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

* included in other operating income

** included in other operating expenses

4. FINANCE COSTS

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

5. STAFF COSTS

Staff costs including Directors' remuneration comprise:

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

6. TAXATION

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

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

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

6. TAXATION (Cont'd)

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

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

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

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

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

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

8. DIVIDEND

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

8. DIVIDEND *(Cont'd)*

Notes:

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

9. EARNINGS PER SHARE

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

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

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

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

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

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

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

(a) Directors' remuneration *(Cont'd)*

The emoluments of the Directors fell within the following bands:

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

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

(b) Five highest paid individuals

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

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

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

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

The emoluments fell within the following bands:

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

11. RETIREMENT BENEFIT COSTS

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

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

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

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

12. INTANGIBLE ASSETS

Group

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

13. FIXED ASSETS

(a) Group

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

13. FIXED ASSETS (Cont'd)

(a) Group (Cont'd)

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

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

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

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

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

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

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

13. FIXED ASSETS (Cont'd)

(b) Company

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

14. INVESTMENTS IN SUBSIDIARIES

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

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

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

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

14. INVESTMENTS IN SUBSIDIARIES (Cont'd)

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

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

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

14. INVESTMENTS IN SUBSIDIARIES (Cont'd)

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

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

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

14. INVESTMENTS IN SUBSIDIARIES (Cont'd)

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

Shares/Investments held indirectly: (Cont'd)

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

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

Notes:

- 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.
- The subsidiaries operate principally in their places of incorporation.
- All the subsidiaries established in the Chinese Mainland are limited liability companies.

15. INVESTMENTS IN ASSOCIATED COMPANIES

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

15. INVESTMENTS IN ASSOCIATED COMPANIES (Cont'd)

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

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

Notes:

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

15. INVESTMENTS IN ASSOCIATED COMPANIES (Cont'd)

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

RBI

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

China Assets

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

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

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

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

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

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

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

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

Notes:

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

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

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

Geoby

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

17. INVESTMENT SECURITIES

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

(a) Listed shares and unit trusts — overseas

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

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

17. INVESTMENT SECURITIES (Cont'd)

(a) Listed shares and unit trusts — overseas (Cont'd)

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

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

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

(c) Unlisted investments

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

18. INVENTORIES

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

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

19. OTHER INVESTMENTS

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

20. ACCOUNTS RECEIVABLE AND PREPAYMENTS

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

The ageing analysis of the trade receivables is as follows:

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

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

21. ACCOUNTS PAYABLE AND ACCRUALS

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

The ageing analysis of the trade payables is as follows:

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

22. SHARE CAPITAL

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

22. SHARE CAPITAL (Cont'd)

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

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

Note:

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

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

23. RESERVES

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

23. RESERVES (Cont'd)

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

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

23. RESERVES (Cont'd)

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

24. RETAINED PROFITS

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

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

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

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

(b) Analysis of changes in financing during the year

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

(c) Major non-cash transactions

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

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

(d) Acquisition of a subsidiary

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

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

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

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

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

(e) Disposal of a subsidiary

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

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

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

26. BANK BALANCES AND BANKING FACILITIES

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

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

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

27. CONTINGENT LIABILITIES

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

28. COMMITMENTS**(a) Capital commitments for land and buildings**

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

The Company did not have any material capital commitments.

28. COMMITMENTS (Cont'd)

(b) Commitments under operating leases

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

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

29. APPROVAL OF ACCOUNTS

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