

Notes to the Financial Statements

For the year ended 31 December 2002

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements 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 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 effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34 (revised)	:	Employee benefits

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

(b) Group accounting

(i) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 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.

Where an interest in a subsidiary was acquired with the intention that the control is 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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Group accounting (Continued)

(i) Consolidation (Continued)

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.

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 associated companies, unrealised profits and losses are eliminated to the extent of the Group interest in the relevant associated companies, except where unrealised losses provide evidence of an impairment of the assets transferred.

Notes to the Financial Statements

For the year ended 31 December 2002

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Group accounting (Continued)

(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/for development

Properties under/for 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.

(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.

Notes to the Financial Statements

For the year ended 31 December 2002

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) 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 are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. 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 financial statements. 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 results. Any subsequent increases are credited to operating results 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.

(f) Fixed assets

Fixed assets other than investment properties 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 use.

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.

Notes to the Financial Statements

For the year ended 31 December 2002

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) 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/for 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 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.

(h) 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.

(i) 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 associated company at the date of acquisition.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Goodwill (Continued)

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. Any impairment arising on such goodwill is accounted for in the profit and loss account.

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.

(j) Investments in securities

Investments 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. Cost was calculated using weighted average cost method in prior year for inventories under the discontinued operation. In this year, cost is calculated on the first-in-first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Notes to the Financial Statements

For the year ended 31 December 2002

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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 are subject to an insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

(n) Provisions

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 financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

Notes to the Financial Statements

For the year ended 31 December 2002

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Contingent liabilities and contingent assets (Continued)

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 financial statements 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 financial statements 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.

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

Notes to the Financial Statements

For the year ended 31 December 2002

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Revenue recognition (Continued)

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.

Operating lease rental income is recognised on a straight line basis over the lease term.

(r) Employee benefits

(i) Employee leave entitlements

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

Employee entitlements to sick leave and maternity or paternity leave 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 balance sheet date are recognised 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) Retirement benefit costs

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the fund.

The Group's contributions to the defined contribution retirement scheme 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 scheme are held separately from those of the Group in an independently administered fund.

Notes to the Financial Statements

For the year ended 31 December 2002

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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.

(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, investment properties, 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.

Notes to the Financial Statements

For the year ended 31 December 2002

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in 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:

	2002	2001
	HK\$'000	HK\$'000
Turnover		
Sales of goods	32,937	32,222
Sales of properties and investments	57,049	143,484
Service income		
– provision of public relations and cultural services	1,881	14,383
– provision of technology consulting and development services	11,373	105,888
Brokerage income from securities dealing and equity options trading	—	21,777
Brokerage income from futures and options contracts trading	—	1,133
Advisory fee, introductory fee and other commission income	6,234	18,545
Interest income	2,652	9,233
Net gain arising from financial derivative products	—	1,485
Rental income and building management fee income	3,888	—
Total turnover	116,014	348,150
Other revenues	310	3,372
Total revenues	116,324	351,522

- (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") had been reduced from 100% to 49% in the prior year. Accordingly, the Group ceased consolidating the financial statements of the 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 financial statements.
- (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") had been reduced from 88% to 38% in the prior year. Accordingly, the Group ceased consolidating the financial statements of the Winbox Group upon the said reduction of equity interest and the Winbox Group has since been equity accounted for in the consolidated financial statements.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

- (c) The Group's entire equity interests in a number of companies engaged in the provision of consulting, marketing and technology services (collectively, the "ebizal Group") had been disposed of by the Group in the current year. Accordingly, the Group ceased consolidating the financial statements of the ebizal Group upon completion of the said disposal.

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 and trading of dyestuffs
- Investment banking – provision of corporate finance services
- Direct investments – securities trading
- Property – property development and holding
- Consulting, Marketing and Technology Service – 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's 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

Notes to the Financial Statements

For the year ended 31 December 2002

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments

	2002						
	HK\$'000						
	Broking services	Industrial & Management operating services	Investment banking	Direct investments	Property	Consulting, Marketing & Technology services	Group
Revenues	—	32,937	1,412	8,064	60,347	13,254	116,014
Segment results	—	3,459	(3,298)	103	(7,513)	2,128	(5,121)
Gain on disposal of discontinued operations							12,189
Net investment loss	—	—	—	(151,264)	—	—	(151,264)
General corporate expenses							(24,592)
Operating loss before provision for impairment of long term assets							(168,788)
Provision for impairment of long term assets	—	—	(22,898)	—	(167,440)	—	(190,338)
Operating loss							(359,126)
Finance costs	—	(26)	—	(200)	(3,660)	(4)	(3,890)
Share of profits less losses of associated companies	(6,087)	9,603	1,410	—	207	—	5,133
Loss before taxation							(357,883)
Taxation							1,419
Loss after taxation							(356,464)
Minority interests							4,786
Loss attributable to shareholders							(351,678)
Segment assets	—	21,918	10,638	71,573	507,455	—	611,584
Investments in associated companies	26,507	48,014	24,960	—	318	—	99,799
Unallocated assets							105,801
Total assets							817,184
Segment liabilities	—	7,897	180	1,493	150,719	—	160,289
Unallocated liabilities							12,506
Total liabilities							172,795
Capital expenditure	—	6,637	—	1,122	46,871	—	54,630
Depreciation	—	133	1,650	1,757	1,018	—	4,558
Amortisation charge	—	—	1,561	—	—	—	1,561

Note:

On 24 January 2002, the Group sold its entire equity interest in ebizal Investments Limited (subsequently renamed as ebizal (Holdings) Limited) which is engaged in the consulting, marketing & technology services segment. As such, the operation of the consulting, marketing & technology service was discontinued in the current year. Net assets disposed of amounted to HK\$56 million.

Notes to the Financial Statements

For the year ended 31 December 2002

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

	2001						Group
	HK\$'000						
	Broking services	Industrial & Management operating services	Investment banking	Direct investments	Property	Consulting, Marketing & Technology services	
Revenues	26,124	32,222	18,545	4,805	146,183	120,271	348,150
Segment results	93	7,269	7,175	(300)	23,057	(24,365)	12,929
Net investment gain							127,321
General corporate expenses							(51,467)
Operating profit before provision for impairment of long term assets							88,783
Provision for impairment of long term assets	—	—	—	(1,136)	(15,120)	(20,424)	(36,680)
Operating profit							52,103
Finance costs	(654)	(206)	(2)	(1,052)	(302)	(896)	(3,112)
Share of losses less profits of associated companies	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 associated companies	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

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2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Secondary reporting format – geographical segments

	Turnover		Operating (loss)/profit before provision for impairment of long term assets	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical segment:				
The People's Republic of China including Hong Kong	115,077	314,857	(167,195)	85,747
Europe	—	19,149	—	3,461
North America	—	3,264	—	(1,392)
South East Asia	—	7,587	—	970
Japan and North Asia	937	669	(1,593)	(417)
Others	—	2,624	—	414
	<u>116,014</u>	<u>348,150</u>	<u>(168,788)</u>	<u>88,783</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 People's 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.

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3. PROVISION FOR IMPAIRMENT OF LONG TERM ASSETS

	2002	2001
	HK\$'000	HK\$'000
Provision for impairment of:		
Goodwill (<i>note 12</i>)	21,854	21,680
Investment properties (<i>note 13</i>)	52,316	—
Leasehold land and buildings (<i>note 13</i>)	7,320	—
Furniture, fixtures and equipment (<i>note 13</i>)	1,044	—
Properties under/for development (<i>note 14</i>)	38,945	—
Properties for sale (<i>note 21</i>)	3,359	—
Loans receivable from investee companies	65,500	15,000
	<u>190,338</u>	<u>36,680</u>

As at 31 December 2002, the Group performed an assessment of fair value of its assets, including goodwill. The assessment was based on a number of factors including the present value of estimated future cash flows or net selling price of the assets (investments), as appropriate.

4. OPERATING (LOSS)/PROFIT

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

	2002	2001
	HK\$'000	HK\$'000
Crediting		
Gains on disposal of fixed assets	—	125
Charging		
Depreciation:		
Owned fixed assets	4,558	6,210
Leased fixed assets	—	90
Staff costs (including directors' remuneration)	28,553	83,171
Pensions – defined contribution plans (<i>note 10</i>)	439	3,143
Operating leases		
Hire of plant and machinery	—	40
Land and buildings	3,698	6,459
Auditors' remuneration	600	1,089
Amortisation of goodwill	1,561	807
Loss on disposal of fixed assets	618	—
Provision for doubtful receivables:		
Mortgage loans receivable	1,400	—
Others	3,120	3,120

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5. FINANCE COSTS

	2002	2001
	HK\$'000	HK\$'000
Interest on bank loans		
Wholly repayable within five years	5,263	12,759
Not wholly repayable within five years	—	2,102
Interest on other loans		
Not wholly repayable within five years	153	230
Interest element of finance leases	—	6
	<hr/>	<hr/>
Total borrowing costs incurred	5,416	15,097
Less: amount capitalised in properties under/for development and properties under development for sale	(1,526)	(11,985)
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	3,890	3,112
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The interest rates applied to funds borrowed generally and used for the development of properties under/for development is between Hong Kong Interbank Offered Rate plus 1.25% 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% (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.

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

	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current year	(210)	(2,436)
Over provision in previous years	4,519	—
Overseas tax	(6)	—
Share of taxation attributable to associated companies	(2,884)	(251)
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	1,419	(2,687)
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Details of the deferred taxation for the year not provided for are set out in note 31.

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7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$284,783,000 (2001: HK\$404,431,000).

8. DIVIDENDS

	2002	2001
	HK\$'000	HK\$'000
Interim, paid, of 0.25 HK cent (2001: 1 HK cent) per ordinary share	2,862	11,456
Final, proposed, of nil HK cent (2001: 0.25 HK cent) per ordinary share	—	2,864
	<u>2,862</u>	<u>14,320</u>

The directors do not recommend the payment of a final dividend.

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$351,678,000 (2001: profit of HK\$35,036,000).

The basic (loss)/earnings per share is based on the weighted average of 1,145,000,676 (2001: 1,146,155,843) ordinary shares in issue during the year.

10. PENSIONS – DEFINED CONTRIBUTION PLANS

No forfeited contributions were utilised during the year (2001: nil). At 31 December 2002, the total amount of unutilised forfeited contributions was immaterial.

Contributions totalling HK\$142,000 (2001: HK\$261,000) were payable to the fund at the year-end and are included in other payables.

Notes to the Financial Statements

For the year ended 31 December 2002

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:

	2002	2001
	HK\$'000	HK\$'000
Fees		
– Executive	—	—
– Independent non-executive	—	—
Other emoluments:		
Basic salaries, discretionary bonuses, housing allowances, share options, other allowances and benefits in kind	11,593	13,187
Contributions to pensions schemes for directors		
– as directors	24	299
– for other offices	—	—
	<u>11,617</u>	<u>13,486</u>

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2002	2001
HK\$nil - HK\$1,000,000	1	1
HK\$5,500,001 - HK\$6,000,000	2	—
HK\$6,000,001 - HK\$6,500,000	—	1
HK\$6,500,001 - HK\$7,000,000	—	1
	<u>—</u>	<u>—</u>

Notes to the Financial Statements

For the year ended 31 December 2002

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

(b) Five highest paid individuals

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

	2002	2001
	HK\$'000	HK\$'000
Basic salaries, discretionary bonuses, housing allowances, share options, other allowances and benefits in kind	3,117	3,927
Pensions	36	141
	<u>3,153</u>	<u>4,068</u>

The emoluments fell within the following bands:

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

12. INTANGIBLE ASSETS

	Group
	HK\$'000
Goodwill	
As at 1 January 2002	23,415
Amortisation charge	(1,561)
Impairment charge	(21,854)
	<u>—</u>
At 31 December 2002	<u>—</u>

Notes to the Financial Statements

For the year ended 31 December 2002

13. FIXED ASSETS

	Group					
	Investment properties	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:						
At 1 January 2002	—	3,000	6,113	11,537	2,195	22,845
Reclassified from properties under/for development (<i>note 14</i>)	119,308	—	—	—	—	119,308
Additions	—	—	1,029	184	—	1,213
Acquisition of subsidiaries	6,300	38,292	4,892	2,592	1,341	53,417
Disposal of subsidiaries	—	—	(201)	(1,019)	(464)	(1,684)
Disposals	—	—	(5,802)	(2,132)	—	(7,934)
At 31 December 2002	<u>125,608</u>	<u>41,292</u>	<u>6,031</u>	<u>11,162</u>	<u>3,072</u>	<u>187,165</u>
Accumulated depreciation and impairment:						
At 1 January 2002	—	360	4,669	6,186	675	11,890
Charge for the year	—	906	830	2,392	430	4,558
Impairment charge	52,316	7,320	—	1,044	—	60,680
Acquisition of subsidiaries	—	7,502	4,407	2,436	1,013	15,358
Disposal of subsidiaries	—	—	(118)	(530)	(351)	(999)
Disposals	—	—	(5,185)	(2,117)	—	(7,302)
At 31 December 2002	<u>52,316</u>	<u>16,088</u>	<u>4,603</u>	<u>9,411</u>	<u>1,767</u>	<u>84,185</u>
Net book value:						
At 31 December 2002	<u>73,292</u>	<u>25,204</u>	<u>1,428</u>	<u>1,751</u>	<u>1,305</u>	<u>102,980</u>
At 31 December 2001	<u>—</u>	<u>2,640</u>	<u>1,444</u>	<u>5,351</u>	<u>1,520</u>	<u>10,955</u>
The above assets include the net book value of leased assets:						
At 31 December 2002	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2001	<u>—</u>	<u>—</u>	<u>49</u>	<u>—</u>	<u>—</u>	<u>49</u>

Notes to the Financial Statements

For the year ended 31 December 2002

13. FIXED ASSETS (Continued)

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

	Group	
	2002 HK\$'000	2001 HK\$'000
In Hong Kong, held on		
Leases of over 50 years	67,192	—
Leases of between 10 to 50 years	31,304	—
Outside Hong Kong, held on		
Leases of between 10 to 50 years	—	2,640
	<u>98,496</u>	<u>2,640</u>

The investment properties were valued on an open market value basis as at 31 December 2002 by a member of the Hong Kong Institute of Surveyors employed by the Group.

An investment property of HK\$67,192,000 has been pledged to secure banking facilities granted to the Group of HK\$26,550,000 (2001: HK\$nil).

	Company			
	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:				
At 1 January 2002	4,197	3,521	1,731	9,449
Additions	—	105	—	105
Disposals	(4,197)	(15)	—	(4,212)
At 31 December 2002	<u>—</u>	<u>3,611</u>	<u>1,731</u>	<u>5,342</u>
Accumulated depreciation:				
At 1 January 2002	3,292	1,561	325	5,178
Charge for the year	534	644	346	1,524
Disposals	(3,826)	(5)	—	(3,831)
At 31 December 2002	<u>—</u>	<u>2,200</u>	<u>671</u>	<u>2,871</u>
Net book value:				
At 31 December 2002	<u>—</u>	<u>1,411</u>	<u>1,060</u>	<u>2,471</u>
At 31 December 2001	<u>905</u>	<u>1,960</u>	<u>1,406</u>	<u>4,271</u>

Notes to the Financial Statements

For the year ended 31 December 2002

14. PROPERTIES UNDER/FOR DEVELOPMENT

	Group	
	2002	2001
	HK\$'000	HK\$'000
Cost		
At 1 January	399,286	388,837
Additions	32,901	10,449
Reclassified to investment properties (note 13)	(140,308)	—
Reclassified to properties under development for sale (note 21)	(125,733)	—
At 31 December	<u>166,146</u>	<u>399,286</u>
Provision		
At 1 January	59,000	59,000
Reclassified to investment properties (note 13)	(21,000)	—
Additions	38,945	—
At 31 December	<u>76,945</u>	<u>59,000</u>
	<u>89,201</u>	<u>340,286</u>

The properties under/for development are situated in Hong Kong under the following lease terms:

	2002	2001
	HK\$'000	HK\$'000
Leases of over 50 years	—	90,968
Leases of between 10 to 50 years	89,201	249,318
	<u>89,201</u>	<u>340,286</u>

As at 31 December 2002, interest expenses capitalised in the cost of properties under/for development amounted to HK\$33,152,000 (2001: HK\$52,878,000).

The properties under/for development have been pledged to secure banking facilities granted to the Group of HK\$49,000,000 (2001: HK\$109,500,000).

Notes to the Financial Statements

For the year ended 31 December 2002

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares at cost	1,185,916	1,185,916
Amounts due from subsidiaries	700,288	973,931
Amounts due to subsidiaries	(1,105,605)	(1,071,510)
	(405,317)	(97,579)

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

At 31 December 2002, the Company held interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment	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 development
Cheung Wah Ho Dyestuffs Company Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$800,100 (Note (a))	—	70	Trading of dyestuffs
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

Notes to the Financial Statements

For the year ended 31 December 2002

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Particulars of issued/ registered capital	Interest held		Principal activities
			Direct %	Indirect %	
Ever Lead Limited	Hong Kong	Ordinary HK\$98 Non-voting deferred HK\$2 (Note (a))	—	100	Property development
Ever Loyal Development Limited	Hong Kong	HK\$2	—	100	Property development
Full Success Investments Limited	Hong Kong	HK\$2	—	100	Property holding
GlobalOffering.com Limited	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
Lucky Happy Development Limited	Hong Kong	HK\$100	—	100	Property holding
OpenOffering Capital Limited	Hong Kong	HK\$20,000,000	—	100	Provision of corporate finance services in Hong Kong

Notes to the Financial Statements

For the year ended 31 December 2002

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Particulars of issued/ registered capital	Interest held		Principal activities
			Direct	Indirect	
			%	%	
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.

The Company's principal subsidiaries listed above principally operate in Hong Kong except E2-Capital Japan KK 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 2002, or at any time during the year.

16. INVESTMENTS IN FLOURMILL BUSINESSES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	8,675	8,675
Less: Provision for impairment	(8,675)	—
	—	8,675

Notes to the Financial Statements

For the year ended 31 December 2002

16. INVESTMENTS IN FLOURMILL BUSINESSES (Continued)

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 long term. This intention remains and the Group has continued during the last four years to actively negotiate with potential investors for the disposal of the other 50% equity interest in the Flourmill Businesses.

At the balance sheet date, certain of these Flourmill Businesses have unaudited net liabilities, in aggregate, of approximately HK\$16 million (2001: HK\$16 million). The Group's investment 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. In addition, as a result of the extended time taken to pursue the sale of these assets, the directors considered it prudent to write off the entire cost of investment in the Flourmill Businesses. The Group is currently in the process of formally terminating the agreements holding the Flourmill Businesses.

At 31 December 2002, the Company held interests in the following unconsolidated subsidiaries:

Name	Place of incorporation/ registration	Interest held indirectly %	Principal activities
Capital Star International Limited	Hong Kong	100	Investment holding
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
Xian Renmin Flour Industry 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 their incorporation/ registration.

* Sino-foreign equity joint ventures

Notes to the Financial Statements

For the year ended 31 December 2002

17. INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	99,799	103,603
Loans to associated companies	1,335	505
Loans from associated companies	(172)	(2,740)
	<u>1,163</u>	<u>(2,235)</u>

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

At 31 December 2002, the Company held interests in the following associated companies:

Name	Place of incorporation/ registration	Interest held indirectly %	Principal activities
SBI E2-Capital (HK) Limited	Hong Kong	49%	Provision of corporate finance services
SBI E2-Capital Securities Limited	Hong Kong	49%	Securities broking and margin financing
SBI E2-Capital Pte Ltd	Singapore	27%	Investment banking
Winbox Company Limited	Hong Kong	38%	Manufacture and sale of quality plastic and paper boxes for luxury consumer goods
Guangzhou Science Compile & Flourish Environmental Protective Technic Development Co. Limited	The People's Republic of China	40%	Provision of drinking water filtration services

Notes to the Financial Statements

For the year ended 31 December 2002

17. INTERESTS IN ASSOCIATED COMPANIES (Continued)

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.

The equity interest in the SBI E2-Capital Group had been reduced from 100% to 49% on 2 April 2001. Accordingly the results of the SBI E2-Capital Group have been equity accounted for in the current year. The summary of financial information of the SBI E2-Capital Group for the year ended 31 December 2002 is as follows:

	Year ended 31 December 2002
	<u>HK\$'000</u>
Consolidated profit and loss account	
Turnover	101,210
Loss before taxation	<u>(9,349)</u>
	<u>31 December 2002</u>
	HK\$'000
Consolidated balance sheet	
Total assets	102,519
Total liabilities	<u>(10,595)</u>
Total net assets	<u>91,924</u>

Notes to the Financial Statements

For the year ended 31 December 2002

18. INVESTMENTS IN SECURITIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Investment securities		
Equity securities		
Listed in Hong Kong, at cost	70,111	188,500
Less: provision for impairment loss	(60,524)	(55,781)
	<u>9,587</u>	<u>132,719</u>
Unlisted, at cost	42,799	73,079
Less: provision for impairment loss	(15,821)	(14,524)
	<u>26,978</u>	<u>58,555</u>
Unlisted debt securities, at cost	1,354	1,354
Total carrying amount of investment securities	<u>37,919</u>	<u>192,628</u>
Market value of listed securities	9,587	59,628
Investment securities analysed for reporting purpose:		
Non-current	<u>37,919</u>	<u>192,628</u>

Notes to the Financial Statements

For the year ended 31 December 2002

18. INVESTMENTS IN SECURITIES (Continued)

	Group	
	2002	2001
	HK\$'000	HK\$'000
Other investments		
Equity securities, at fair value		
Listed in Hong Kong	8,829	27,525
Listed overseas	434	2,377
Unlisted	—	5,675
Total carrying amount of other investments	<u>9,263</u>	<u>35,577</u>
Market value		
Listed equity securities	<u>9,263</u>	<u>29,902</u>
Other investments analysed for reporting purpose:		
Current	461	8,116
Non-current	<u>8,802</u>	<u>27,461</u>
	<u>9,263</u>	<u>35,577</u>
Total investments in securities	<u>47,182</u>	<u>228,205</u>
Total investments in securities analysed for reporting purpose:		
Current	461	8,116
Non-current	<u>46,721</u>	<u>220,089</u>
	<u>47,182</u>	<u>228,205</u>
	Company	
	2002	2001
	HK\$'000	HK\$'000
Investment securities		
Unlisted equity shares at cost	17,760	34,596
Less: provision for impairment loss	<u>(14,451)</u>	<u>(11,605)</u>
	<u>3,309</u>	<u>22,991</u>

Notes to the Financial Statements

For the year ended 31 December 2002

19. MORTGAGE LOANS RECEIVABLE

	Group	
	2002	2001
	HK\$'000	HK\$'000
Due within one year	1,157	104
Due after one year	27,533	18,461
	28,690	18,565
Less: Provision for doubtful receivables	(1,400)	—
	27,290	18,565

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.

20. OTHER NON-CURRENT ASSETS

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Statutory and other deposits relating to the securities dealing businesses	150	100	—	—
Chinese antiques	2,017	2,017	2,017	2,017
Other deposits	125	125	—	—
	2,292	2,242	2,017	2,017

Notes to the Financial Statements

For the year ended 31 December 2002

21. PROPERTIES FOR SALE / PROPERTIES UNDER DEVELOPMENT FOR SALE

	Group	
	2002	2001
	HK\$'000	HK\$'000
Cost		
At 1 January	93,984	182,620
Additions	—	58,181
Disposals	(66,597)	(146,817)
Reclassified from properties under/for development (<i>note 14</i>)	125,733	—
At 31 December	<u>153,120</u>	<u>93,984</u>
Provision		
At 1 January	21,466	55,000
Additions	3,359	—
Disposals	(15,211)	(33,534)
At 31 December	<u>9,614</u>	<u>21,466</u>
	<u>143,506</u>	<u>72,518</u>

As at 31 December 2002, interest expense capitalised in the cost of properties for sale and properties under development for sale amounted to HK\$6,609,000 (2001: HK\$10,329,000).

At 31 December 2002, the properties for sale of HK\$17,773,000 and properties under development for sale of HK\$125,733,000 are situated in Hong Kong and are held under long term lease and medium term lease respectively. Properties under development for sale of HK\$125,733,000 have been pledged to secure banking facilities granted to the Group of HK\$38,805,000 (2001: HK\$nil).

22. INVENTORIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Finished goods	<u>8,573</u>	<u>4,200</u>

Notes to the Financial Statements

For the year ended 31 December 2002

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due from:				
Subsidiaries	—	—	700,288	973,931
Unconsolidated subsidiaries	729	—	—	—
Associated companies	1,335	505	1,016	—
Trade receivables	11,332	22,282	—	—
Other receivables, prepayments and deposits	31,083	22,149	21,108	4,775
	<u>44,479</u>	<u>44,936</u>	<u>722,412</u>	<u>978,706</u>

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

The ageing analysis of the trade receivables is as follows:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0-60 days	5,077	19,819	—	—
61-90 days	1,458	1,666	—	—
Over 90 days	4,797	797	—	—
	<u>11,332</u>	<u>22,282</u>	<u>—</u>	<u>—</u>

Notes to the Financial Statements

For the year ended 31 December 2002

24. BANK BALANCES AND CASH

	Group	
	2002	2001
	HK\$'000	HK\$'000
The balance consists of:		
General account	126,766	122,399

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due to:				
An affiliated company	17	17	17	17
Subsidiaries	—	—	1,105,605	1,071,510
Unconsolidated subsidiaries	—	148	—	—
Associated companies	172	2,740	172	—
Trade payables	5,506	26,340	—	—
Other accounts payables and accruals	30,323	23,982	10,004	2,231
	<u>36,018</u>	<u>53,227</u>	<u>1,115,798</u>	<u>1,073,758</u>

The ageing analysis of trade creditors is as follows:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0-60 days	2,683	24,395	—	—
61-90 days	985	1,424	—	—
Over 90 days	1,838	521	—	—
	<u>5,506</u>	<u>26,340</u>	<u>—</u>	<u>—</u>

Notes to the Financial Statements

For the year ended 31 December 2002

26. SHARE CAPITAL

Share capital

	Authorised	
	Ordinary shares of US\$0.1 each	
	No. of shares	US\$'000
At 31 December 2001 and 31 December 2002	<u>2,000,000,000</u>	<u>200,000</u>
	Issued and fully paid	
	Ordinary shares of USD0.1 each	
	No. of shares	US\$'000
At 1 January 2001	1,146,524,336	114,653
Repurchase of shares	(1,000,000)	(100)
At 31 December 2001 and 1 January 2002	<u>1,145,524,336</u>	<u>114,553</u>
Repurchase of shares	(858,000)	(86)
At 31 December 2002	<u>1,144,666,336</u>	<u>114,467</u>
	2002	2001
	HK\$'000	HK\$'000
Shown in the financial statements as	<u>892,840</u>	<u>893,509</u>

Notes to the Financial Statements

For the year ended 31 December 2002

26. SHARE CAPITAL (Continued)

During the year, the Company repurchased its own shares on the Stock Exchange of Hong Kong, 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\$	
April	636,000	0.310	0.310	197,160
October	222,000	0.165	0.155	35,270
	<u>858,000</u>			<u>232,430</u>

Share option scheme

Under the share option scheme ("Share Option Scheme") adopted by the Company on 15 December 1992, the directors could, at their discretion, invite employees of the Company and its subsidiaries, including full time executive directors, 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.

During the year, no shares were issued under the Scheme and the Scheme has expired on 14 December 2002. No other share option scheme has been adopted since then.

Movement of share options during the year are as follows:

	Number of share options	
	2002 HK\$'000	2001 HK\$'000
At the beginning of the year	59,519,000	77,929,000
Lapsed/cancelled	(59,519,000)	(18,410,000)
	<u>—</u>	<u>59,519,000</u>

Notes to the Financial Statements

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27. RESERVES

	Group					
	Contributed surplus HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	(Goodwill)/ capital reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Total HK\$'000
At 1 January 2001	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	—	—	—	21,680	—	21,680
Reserve arising from shares repurchased	—	—	450	—	—	450
Reserve arising from restructuring	—	—	1,185	—	—	1,185
Profit for the year	—	—	—	—	35,036	35,036
2000 Final dividend paid	(22,930)	—	—	—	—	(22,930)
2001 Interim dividend paid	—	—	—	—	(11,456)	(11,456)
At 31 December 2001	<u>219,943</u>	<u>—</u>	<u>2,933</u>	<u>(9,499)</u>	<u>(114,359)</u>	<u>99,018</u>
Representing:—						
Contributed surplus at 31 December 2001	217,079					
2001 Final dividend proposed	2,864					
At 31 December 2001	<u>219,943</u>					
Company and subsidiaries	219,943	—	2,933	(9,499)	(106,830)	106,547
Associated companies	—	—	—	—	(7,529)	(7,529)
At 31 December 2001	<u>219,943</u>	<u>—</u>	<u>2,933</u>	<u>(9,499)</u>	<u>(114,359)</u>	<u>99,018</u>

Notes to the Financial Statements

For the year ended 31 December 2002

27. RESERVES (Continued)

	Group					Total HK\$'000
	Contributed surplus HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	(Goodwill)/ capital reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	
At 1 January 2002	219,943	—	2,933	(9,499)	(114,359)	99,018
Goodwill realised on disposal of subsidiaries	—	—	—	9,499	—	9,499
Reserve arising from shares repurchased	—	—	436	—	—	436
Loss for the year	—	—	—	—	(351,678)	(351,678)
2001 Final dividend paid	(2,864)	—	—	—	—	(2,864)
2002 Interim dividend paid	(2,862)	—	—	—	—	(2,862)
At 31 December 2002	<u>214,217</u>	<u>—</u>	<u>3,369</u>	<u>—</u>	<u>(466,037)</u>	<u>(248,451)</u>
Representing:—						
Company and subsidiaries	214,217	—	3,369	—	(447,776)	(230,190)
Associated companies	—	—	—	—	(18,261)	(18,261)
At 31 December 2002	<u>214,217</u>	<u>—</u>	<u>3,369</u>	<u>—</u>	<u>(466,037)</u>	<u>(248,451)</u>

Notes to the Financial Statements

For the year ended 31 December 2002

27. RESERVES (Continued)

	Company					Total HK\$'000
	Contributed surplus HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	(Goodwill)/ capital reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	
At 1 January 2001	160,428	561,191	1,298	—	8,856	731,773
Transfer from share premium to retained profits account resulting from capital reduction (Note (a))	—	(561,191)	—	—	561,191	—
Reserve arising from shares repurchased	—	—	450	—	—	450
Loss for the year	—	—	—	—	(404,431)	(404,431)
2000 Final dividend paid	(22,930)	—	—	—	—	(22,930)
2001 Interim dividend paid	—	—	—	—	(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>					
At 1 January 2002	137,498	—	1,748	—	154,160	293,406
Reserve arising from shares repurchased	—	—	436	—	—	436
Loss for the year	—	—	—	—	(284,783)	(284,783)
2001 Final dividend paid	(2,864)	—	—	—	—	(2,864)
2002 Interim dividend paid	(2,862)	—	—	—	—	(2,862)
At 31 December 2002	<u>131,772</u>	<u>—</u>	<u>2,184</u>	<u>—</u>	<u>(130,623)</u>	<u>3,333</u>

Notes to the Financial Statements

For the year ended 31 December 2002

27. RESERVES (Continued)

Note:

- (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 were 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 financial statements 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 had 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. 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 2002 were as follows:

	HK\$'000
Contributed surplus	131,772
Accumulated losses	(130,623)
	<hr/>
	1,149
	<hr/> <hr/>

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

Notes to the Financial Statements

For the year ended 31 December 2002

28. LONG-TERM LIABILITIES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank loans				
Secured	114,355	120,000	—	10,500
Other loans				
Secured	2,130	2,467	—	—
Obligations under finance leases	—	49	—	—
	116,485	122,516	—	10,500
Current portion of long-term liabilities	(93,801)	(74,575)	—	(10,500)
	<u>22,684</u>	<u>47,941</u>	<u>—</u>	<u>—</u>
The analysis of the above is as follows:				
Bank loans				
Wholly repayable within five years	114,355	87,550	—	10,500
Not wholly repayable within five years	—	32,450	—	—
	114,355	120,000	—	10,500
Other loans and obligations under finance leases				
Wholly repayable within five years	—	49	—	—
Not wholly repayable within five years	2,130	2,467	—	—
	116,485	122,516	—	10,500
Current portion of long-term liabilities	(93,801)	(74,575)	—	(10,500)
	<u>22,684</u>	<u>47,941</u>	<u>—</u>	<u>—</u>

Notes to the Financial Statements

For the year ended 31 December 2002

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 Prime +1.5% p.a. (2001: Prime + 1.5% p.a.).

At 31 December 2002, the Group's bank loans and other borrowings (excluding finance lease liabilities) were repayable as follows:

	Bank loans		Other loans	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	93,705	74,450	96	76
In the second year	5,900	24,900	96	76
In the third to fifth year	14,750	17,700	288	227
After the fifth year	—	2,950	1,650	2,088
	<u>114,355</u>	<u>120,000</u>	<u>2,130</u>	<u>2,467</u>

At 31 December 2002, the Group has no finance lease liabilities. The balance at 31 December 2001 was analysed as follows:

	Group 2001
	HK\$'000
Within one year	51
Future finance charges on finance leases	(2)
Present value of finance lease liabilities	<u>49</u>

Notes to the Financial Statements

For the year ended 31 December 2002

28. LONG-TERM LIABILITIES (Continued)

	Group
	2001
	<hr/> HK\$'000
The present value of finance lease liabilities is as follows:	
Within one year	49
	<hr/> <hr/>

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.

Notes to the Financial Statements

For the year ended 31 December 2002

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002	2001
	HK\$'000	HK\$'000
(Loss)/profit before taxation	(357,883)	43,107
Share of results of associated companies	(5,133)	5,884
Depreciation	4,558	6,300
Amortisation of goodwill	1,561	807
Dividend income from associated companies	3,800	—
Gain on disposal of discontinued operations	(12,189)	—
Gain on disposal of interests in subsidiaries (net)	(820)	(246,127)
Provision for impairment of investments in securities	30,171	114,277
Provision for impairment of interests in associated companies	—	4,529
Realised and unrealised loss on investment in securities (net)	121,913	—
Loss/(gain) on disposal of fixed assets	618	(125)
Gain on disposal of investment properties	—	(2,362)
Provision for loans receivable	4,520	600
Provision for impairment of long term assets	190,338	36,680
Decrease in properties for sale/properties under development for sale	51,386	59,205
Increase in inventories	(1,762)	(3,297)
Increase in trust account	—	(23,491)
Decrease/(increase) in trade and other receivables	1,536	(112,784)
Increase in other investments	—	(38,914)
Increase in trade and other payables	2,590	134,811
Interest income	(2,652)	(9,233)
Interest expenses	3,890	3,112
Net cash inflow/(outflow) generated from operations	36,442	(27,021)
Hong Kong profits tax paid	—	(1,705)
Interest received	2,652	9,233
Net cash inflow/(outflow) from operating activities	39,094	(19,493)

Notes to the Financial Statements

For the year ended 31 December 2002

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	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	896,442	1,665,880	142,582	223,689	8,913	22,373
New loans raised	—	—	19,079	3,324	—	—
Minority interests' in share of (losses)/profits	—	—	—	—	(4,786)	5,384
Minority interests attributed to associated companies	—	—	—	—	(2,566)	—
Shares repurchased and cancelled	(233)	(330)	—	—	—	—
Disposal of interest in subsidiaries to minority shareholders	—	—	—	—	—	2,299
Decrease in minority interests upon disposal of subsidiaries	—	—	—	—	(1,369)	(21,610)
Increase in minority interests upon acquisitions of subsidiaries	—	—	—	—	—	7,020
Decrease in minority interests upon acquisition of additional interest in a subsidiary	—	—	—	—	—	(6,553)
Repayment during the year	—	—	(25,110)	(84,431)	—	—
Other movements not involving cash flows:						
Reserve from restructuring of subsidiaries	—	1,185	—	—	—	—
Transfer from share premium to accumulated losses account resulting from capital reduction	—	(561,191)	—	—	—	—
Transfer from share premium to contributed surplus	—	(209,102)	—	—	—	—
At 31 December	896,209	896,442	136,551	142,582	192	8,913

Notes to the Financial Statements

For the year ended 31 December 2002

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

(c) Major non-cash transactions

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 of 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, all of which are wholly-owned subsidiaries of Softbank Strategic, and the assignment of Softbank Strategic to the Group of the loans by Softbank Strategic to 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.

(d) Sale of subsidiaries

	2002	2001
	HK\$'000	HK\$'000
Net assets disposed of:		
Fixed assets	684	16,249
Investment in securities	16,800	38,353
Loans receivable from investee companies	30,000	—
Other non-current assets	—	4,000
Inventories	5,963	14,031
Trade and other receivables	20,299	240,528
Other investments	—	115,841
Bank trust account	—	23,491
Bank balances	3,007	134,256
Trade and other payables	(28,449)	(313,647)
Taxation	—	(6,240)
Minority interests	(1,369)	(21,610)
	46,935	245,252
Gain on disposal	13,009	237,355
Goodwill realised on disposal	9,499	7,024
	<u>69,443</u>	<u>489,631</u>

Notes to the Financial Statements

For the year ended 31 December 2002

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

(d) Sale of subsidiaries (Continued)

	2002	2001
	HK\$'000	HK\$'000
Satisfied by:		
Interest in associated company	313	109,732
Interest in subsidiaries	51,495	—
Investments in securities	—	188,500
Cash	1,435	191,399
Amounts receivable	16,200	—
	69,443	489,631
Analysis of the net cash (outflow)/inflow in respect of the sale of subsidiaries:		
Cash consideration	1,435	191,399
Bank balances disposed of	(3,007)	(134,256)
	(1,572)	57,143

The subsidiaries disposed of during the year contributed approximately HK\$13,254,000 (2001: HK\$75,499,000) to the Group's turnover and approximately HK\$2,128,000 (2001: HK\$13,599,000) to the Group's operating (loss)/profit.

Notes to the Financial Statements

For the year ended 31 December 2002

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

(e) Purchase of subsidiaries

	2002	2001
	HK\$'000	HK\$'000
Net assets acquired		
Fixed assets	38,058	214
Investments in securities	—	21,753
Inventories	8,574	—
Trade and other receivables	8,298	—
Bank balances and cash	5,263	—
Trade and other payables	(8,698)	(1,034)
	<u>51,495</u>	<u>20,933</u>
Goodwill	—	24,270
Gain on deemed disposal of interests in a subsidiary	—	(16,380)
Minority interests	—	(7,020)
	<u>51,495</u>	<u>21,803</u>
Satisfied by		
Interest in subsidiaries	51,495	—
Cash	—	21,803
	<u>51,495</u>	<u>21,803</u>
Analysis of the net inflow/(outflow) in respect of the purchase of subsidiaries:		
Cash consideration	—	(21,803)
Bank balances and cash in hand acquired	5,263	—
Net cash inflow/(outflow) in respect of the purchase of subsidiaries	<u>5,263</u>	<u>(21,803)</u>

The results of the subsidiaries acquired during the year and their net assets as at 31 December 2002 attributable to the Group were a profit of HK\$3,218,000 (2001: loss of HK\$12,755,000) and HK\$54,713,000 (2001: HK\$31,596,000) respectively.

Notes to the Financial Statements

For the year ended 31 December 2002

31. DEFERRED TAXATION

The potential assets for deferred taxation which have not been recognised for in the financial statements amount to:

	2002	2001
	HK\$'000	HK\$'000
Tax losses	51,845	49,382
Other timing differences	(3,106)	—
	<u>48,739</u>	<u>49,382</u>

Deferred taxation for the year has not been provided for in respect of the following:

	2002	2001
	HK\$'000	HK\$'000
Tax losses	2,463	(1,980)
Other timing differences	(3,106)	1,056
	<u>(643)</u>	<u>(924)</u>

Notes to the Financial Statements

For the year ended 31 December 2002

32. 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 2002 were as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Investee companies	—	11,598	—	11,598
Subsidiary companies	—	—	114,355	109,500
Associated companies	7,471	2,450	7,471	2,450
	<u>7,471</u>	<u>14,048</u>	<u>121,826</u>	<u>123,548</u>

- (b) In addition, as disclosed in note 36(e), the Company provided a guarantee 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 Ltd ("SBI Pte"). As at 31 December 2002, the shareholders' funds and total liabilities of SBI Pte were HK\$15 million and HK\$20 million 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.

33. COMMITMENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
(a) Capital commitments for property, plant and equipment Contracted but not provided for	<u>—</u>	<u>—</u>
(b) Amount of capital commitments relating to investment projects are as follows: Contracted but not provided for	<u>—</u>	<u>—</u>

Notes to the Financial Statements

For the year ended 31 December 2002

33. COMMITMENTS (Continued)

(c) Commitments under operating leases

At 31 December 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2002	2001
	HK\$'000	HK\$'000
Not later than one year	453	3,138
Later than one year and not later than five years	—	5,417
	<u>453</u>	<u>8,555</u>

The Company did not have any commitments at 31 December 2002 (2001: Nil).

34. FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December 2002, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Not later than one year	2,219	—
Later than one year and not later than five years	1,401	—
	<u>3,620</u>	<u>—</u>

Notes to the Financial Statements

For the year ended 31 December 2002

35. DISCONTINUED OPERATIONS

On 24 January 2002, the Group sold its entire equity interest in ebizal Investments Limited (subsequently renamed as ebizal (Holdings) Limited) which engaged in the consulting, marketing & technology services segment.

The sales, results, cash flows and net assets of the consulting, marketing & technology services segment were as follows:

	2002	2001
	HK\$'000	HK\$'000
Turnover	13,254	120,271
Operating costs	(11,126)	(151,907)
Operating profit/(loss)	2,128	(31,636)
Finance costs	(4)	(896)
Profit/(loss) before tax	2,124	(32,532)
Taxation	—	(23)
Profit/(loss) after tax	2,124	(32,555)
Minority interest	(20)	(5)
Net income/(loss)	2,104	(32,560)
Cash (outflow)/inflow in respect of:		
Operating activities	(3,451)	6,767
Investing activities	—	(1,156)
Total cash (outflow)/inflow	(3,451)	5,611
Fixed assets	569	1,106
Investment in securities	16,800	50
Loan to investee company	30,000	—
Current assets	29,896	30,755
Total assets	77,265	31,911
Total liabilities	(30,853)	(117,497)
	46,412	(85,586)
Goodwill realised	9,499	—

Notes to the Financial Statements

For the year ended 31 December 2002

36. RELATED PARTY TRANSACTIONS

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

	Note	Group	
		2002 HK\$'000	2001 HK\$'000
Management fees received	(a)	4,456	8,853
Rental received for sharing of office space	(b)	1,782	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 2002. 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) In prior year, the Group received interest income at Hong Kong 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 services 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 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 Pte in a sound financial position and pay and settle all obligations and liabilities of SBI Pte during the existence 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 Company 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 Company 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 Company for 51% of any claim under the E2-Capital Guarantee-IAL.
- (f) On 18 December 2001, the Group 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 Group, 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 of 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 were wholly-owned subsidiaries of Softbank Strategic, and the assignment of Softbank Strategic to the Group of loans by 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.

Notes to the Financial Statements

For the year ended 31 December 2002

36. RELATED PARTY TRANSACTIONS (Continued)

- (g) On 11 September 2002, Goodwill Properties (Holdings) Limited ("Goodwill Properties"), an indirect wholly owned subsidiary of the Company entered into a Sales and Purchase Agreement with Elite World Group Limited ("Elite World"), an associated company of Mr. Fung Ka Pun, in relation to the disposal of a 50.1% interest in Right Venture Holdings Limited by Goodwill Properties to Elite World for a consideration of HK\$455,000. The transaction was completed on 17 September 2002.

37. SUBSEQUENT EVENTS

- (a) With reference to Note 36(e), the Company has given a Letter of Undertaking in favour of MAS as a condition of MAS agreeing to renew the Investment Adviser Licence (the "IA Licence") held by SBI Pte when the Securities and Futures Act of Singapore (the "SFA") came into effect in August 2002. Under the SFA, the IA Licence held by SBI Pte would become the Capital Markets Services License (the "CMS" Licence). On 7 January 2003, the Company has given a Letter of Undertaking ("E2 Undertaking") to the MAS as required under the SFA in renewing the CMS licence of SBI Pte. The E2 Undertaking was in similar terms with the E2-Capital Guarantee-IAL. In connection with the E2 Undertaking, the Company and Softbank Strategic have agreed among themselves that their respective responsibilities for the obligations and liabilities in SBI Pte should be determined by reference to their previous indemnities given in respect of SBI Pte's IA Licence. Accordingly the Company has agreed to indemnify Softbank Strategic for 49% of any claim under a similar undertaking given to MAS by Softbank Strategic, and Softbank Strategic has agreed to indemnify the Company for 51% of any claim under the E2 Undertaking. This E2 Undertaking would replace the E2-Capital Guarantee-IAL and took effect on 1 October 2002 while the latter would cover the liabilities of SBI Pte up to 30 September 2002.
- (b) On 4 April 2003, the Company has given a Letter of Undertaking ("2nd E2 Undertaking") to the MAS in relation to the grant of a CMS Licence to an associated company of the Company namely SBI E2-Capital Securities Pte Ltd ("SBI Securities") of which the Company holds a 38% indirect effective interest. Pursuant to the 2nd E2 Undertaking, the Company undertakes to maintain SBI Securities in a sound financial position and pay and settle all obligations and liabilities of SBI Securities during the subsistence of the undertaking. In connection with the 2nd E2 Undertaking, the Company and Softbank Strategic have agreed among themselves that their respective responsibilities for the obligations and liabilities of SBI Securities should be determined by reference to their previous indemnities given in respect of SBI Pte, a fellow subsidiary of SBI Securities. Accordingly the Company has agreed to indemnify Softbank Strategic for 49% of any claim under a similar undertaking given to MAS by Softbank Strategic, and Softbank Strategic has agreed to indemnify the Company for 51% of any claim under the 2nd E2 Undertaking.

38. APPROVAL OF ACCOUNTS

The financial statements were approved by the board of directors on 16 April 2003.