

For the year ended 31st December, 2000

1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group are investment holding, securities broking and provision of margin finance, commodities, options and futures broking, provision of corporate finance services, securities trading, provision of public relations and cultural services, provision of technology consulting and development services, property development and manufacture of quality plastic and paper boxes for luxury consumer goods.

2. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, except unconsolidated subsidiaries, made up to 31st December each year.

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

The results of subsidiaries and associates acquired or disposed of during the year are included in the consolidated income statement 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 have been eliminated on consolidation.

Goodwill

Goodwill, which represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary, is eliminated against reserves immediately on acquisition. Negative goodwill, which represents the excess over the purchase consideration of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary, is credited to reserves.

For the year ended 31st December, 2000

2. Significant Accounting Policies (Continued)

Goodwill (Continued)

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of an investment in a subsidiary or an associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary or associate.

Goodwill of unconsolidated subsidiaries

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

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

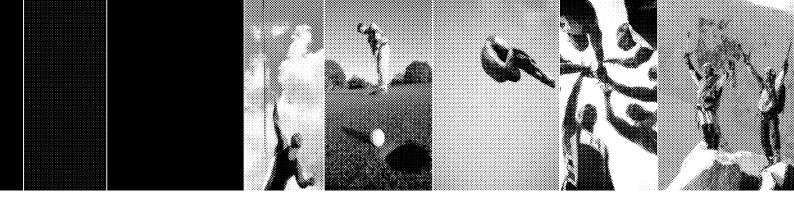
Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary.

Revenue recognition

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.

Interest income from clients is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable, except in the case of doubtful debts where interest is credited to a provision account which is netted in the balance sheet against the relevant balances.

Dividend income from investments is recognised when the Group's rights to receive payments have been established.



For the year ended 31st December, 2000

2. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

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

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.

Profit 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.

Rental income, including rental invoiced in advance on properties under operating leases, is recognised on a straight line basis over the relevant lease term.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Sale of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. 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. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

For the year ended 31st December, 2000

2. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Land held on medium-term leases	Over the term of the relevant lease
Buildings	2%
Leasehold improvements	$20\% - 33^{1}/_{3}\%$
Furniture, fixtures and equipment	$20\% - 33^{1}/_{3}\%$
Plant and machinery	20%
Moulds	20%
Motor vehicles	20%

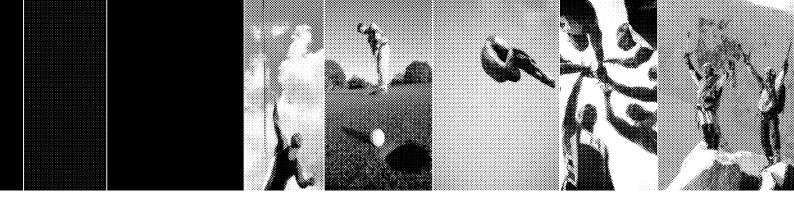
Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Assets held under hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation the financial statements of overseas subsidiaries, which are denominated in currencies other than Hong Kong dollars, are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation, if any, are dealt with in reserves.



For the year ended 31st December, 2000

2. Significant Accounting Policies (Continued)

Leased assets/Assets held under hire purchase contracts

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases and hire purchase contracts are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor/hirer, net of interest charges, is included in the balance sheet as a finance lease/hire purchase obligation. Finance costs, which represent the difference between the total leasing/hire purchase commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Associates

An associate is an enterprise, other than a subsidiary, in which the Group has a long term equity interest and over which the Group is in a position to exercise significant influence in management, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interest in associates is stated at the Group's share of the net assets.

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

For the year ended 31st December, 2000

2. Significant Accounting Policies (Continued)

Investments in securities

Investment other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. 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.

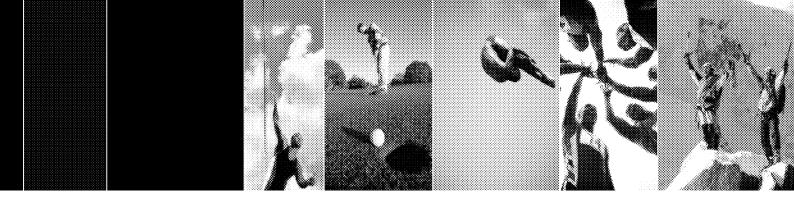
All other borrowing costs are recognised as an expense in the period in which they are incurred.

Properties under development for sale

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.

Properties under development

Properties under development with the intention of holding for long-term purposes when completed or no decision has yet been decided on their purposes are included in the balance sheet as non-current assets and stated at cost, less provision, if necessary.



For the year ended 31st December, 2000

2. Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value 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.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

Retirement benefits scheme

The pension costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution scheme.

3. Turnover

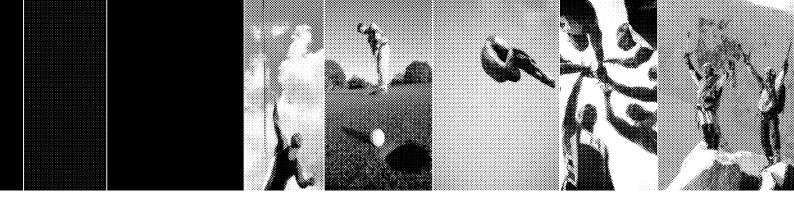
Turnover comprises:		
	2000	1999
	HKS'000	HK\$'000
Sales of goods	90,743	84,089
Sales of properties and investments	42,750	63,282
Interest and dividend income	25,489	6,841
Service income		
- provision of public relations and cultural services	9,047	_
- provision of technology consulting and		
development services	5,833	_
Rental income	-	108
Brokerage income from securities dealing and equity		
options trading	52,479	_
Brokerage income from futures and options		
contracts trading	3,763	_
Advisory fees, introductory fees and other		
commission income	33,324	_
Nominee income	656	_
Net gain arising from financial derivative products	3,284	_
	267,368	154,320

For the year ended 31st December, 2000

3. Turnover (Continued)

The Group's turnover and contribution to operating profit for the year ended 31st December, 2000, analysed by principal activity and geographical market, are as follows:

	Turnover		Contribution to operating profit (loss)	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Broking Services	115,215	-	66,290	_
Manufacturing and Management				
Operating Services	90,743	84,089	25,814	25,387
Investment Banking	31,229	-	13,489	_
Direct Investments	15,301	17,389	(2,043)	3,119
Property	-	52,842	(5,947)	(1,879)
Consulting, Marketing and				
Technology Services	14,880		(6,468)	
	267,368	154,320	91,135	26,627
Finance costs			(4,269)	(2,415)
Contribution from associates			4,083	2,387
Indirect expenses incurred in				,
relation to the above activities			(22,932)	(8,723)
Profit before taxation			68,017	17,876
By geographical market:				
The People's Republic of				
China including Hong Kong	176,367	76,788	70,601	2,938
Europe	48,725	45 <i>,</i> 745	12 <i>,7</i> 71	14,524
North America	17,433	19,340	4,251	5,712
South East Asia	13,198	<i>7,</i> 058	957	1,945
Japan and North Asia	6,340	-	1,336	_
Others	5,305	5,389	1,219	1,508
	267,368	154,320	91,135	26,627
Finance costs			(4,269)	(2,415)
Contribution from associates			4,083	2,387
Indirect expenses incurred in relation	on to		77777	_/ /
the above activities	-		(22,932)	(8,723)
Profit before taxation			68,017	17,876
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For the year ended 31st December, 2000

4.	Investment Gain (Loss)		
	· · ·	2000	1999
		HK\$'000	HK\$'000
	Net realised gain on other investments	10,399	_
	Net unrealised gain (loss) on other investments	38,001	(1,442)
	Provision for impairment loss of investment securities	(10,000)	
		38,400	(1,442)
5.	Profit from Operations		
٥.	Tronc from operations	2000	1999
		HK\$'000	HK\$'000
	Profit from operations has been arrived at after charging (crediting):		
	Auditors' remuneration	1,028	430
	Depreciation		
	– owned assets	5,413	3,071
	– assets acquired under finance leases and		
	hire purchase contracts	90 5,222	- 7,910
	Operating lease payments on land and buildings Preliminary expenses	3,222 146	13
	Provision for obsolete inventories	1,400	500
	Staff costs, including directors' other emoluments	69,225	14,703
	Management fees from associates	(1,841)	(6,944)
6.	Finance Costs		
0.	Tiliance Costs	2000	1999
		HK\$'000	HK\$'000
	Interest on bank loans		
	- wholly repayable within five years	9,296	11,497
	- not wholly repayable within five years Interest on other loan - not wholly repayable	7,695	3,584
	within five years	2,135	330
	Interest on obligations under finance leases and		
	hire purchase contracts	18	
		19,144	15,411
	Less: Amount capitalised to properties under development and properties under development for sale	(14,875)	(12,996)
	and properties ander development for said	********	
		4,269	2,415

7. Directors' Emoluments

For the year ended 31st December, 2000

2000	1999
HK5'000	HK\$'000
-	_
_	-
-	_
11,765	4,960
185	222
11,950	5,182
	HK\$7000

Emoluments of the directors were within the following bands:

	2000	1999
	No of director	No. of director
1711 TTTL 000 000		
Nil to HK\$1,000,000	g	8
HK\$1,000,001 to HK\$1,500,000	1	_
HK\$1,500,001 to HK\$2,000,000	1	_
HK\$3,000,001 to HK\$3,500,000	—	1
HK\$8,000,001 to HK\$8,500,000	<u> </u>	

During the year, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.