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**FIRST SHANGHAI GROUP**

**FIRST SHANGHAI INVESTMENTS LIMITED**

**Annual Report 2001**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Chairman and Managing Director

Mr. Lao Yuan Yi

### Independent Non-executive Directors

Prof. Woo Chia Wei

Mr. Kwok Lam Kwong, Larry

### Directors

Mr. Xin Shulin, Steve

Mr. Yeung Wai Kin

Mr. Hu Yi Ming

Mr. Xu Wei Ming

Mr. Jiang Guo Fang

Mr. Lu Wen Qing

## COMPANY SECRETARY

Mr. Yeung Wai Kin

## REGISTERED OFFICE

Room 1903, Wing On House

71 Des Voeux Road, Central

Hong Kong

Telephone: (852) 2522 2101

Fax: (852) 2810 6789

E-mail address: [enquiry@firstshanghai.com.hk](mailto:enquiry@firstshanghai.com.hk)

Website: [www.firstshanghai.com.hk](http://www.firstshanghai.com.hk)

## AUDITORS

PricewaterhouseCoopers

*Certified Public Accountants*

## SOLICITORS

Richards Butler

Victor Chu & Co.

T. H. Koo & Associates

## PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited

Standard Chartered Bank

BNP Paribas Hong Kong Branch

## REGISTRARS & TRANSFER OFFICE

Central Registration Hong Kong Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

# CHAIRMAN'S STATEMENT



I am pleased to present the 2001 annual report. Profit attributable to shareholders for the year ended 31st December 2001 amounted to HK\$64.8 million, up 11% from last year. Earnings per share was HK\$0.0570 (2000: HK\$0.0517) on a fully diluted basis.

## DIVIDEND

The Board recommended a final dividend of HK\$0.015 per share for the year ended 31st December 2001 in the forthcoming Annual General Meeting.

## BUSINESS REVIEW

2001 was a challenging year for the financial services industry. The collapse of the technology bubble followed by the terrible events of September 11 has contracted the Hong Kong stock market both in terms of liquidity and volatility. Revenue from securities and futures broking activities declined in line with the overall slowdown of the market. Despite the contraction of the capital raising market and the increasing competition in the Hong Kong corporate finance market, the Corporate Finance Division completed two sponsorships of IPO in 2001. The Division also provided financial advisory services and was involved in a number of placements, rights issues and underwriting of securities.

Our subsidiary, Shanghai Zhong Chuang International Container Storage and Transportation Co. Ltd. ("ZCIC"), is one of the largest container transportation and freight forwarding companies in Shanghai. Despite keen market competition, the operating results of ZCIC in 2001 were satisfactory.

Notwithstanding the slowdown in economy in most part of the world in 2001, the export sales of Goodbaby Child Products Co. Ltd. ("Goodbaby") and RBI Holdings Co. Ltd. still experienced a healthy growth. This shows the high potential of the children products' market which is much less affected by the economic downturn.



## CHAIRMAN'S STATEMENT

### **BUSINESS REVIEW** *(Cont'd)*

China Assets (Holdings) Ltd. ("China Assets") achieved a stable operating profit for 2001 as it continued its cautious investment strategy. Negotiation with the Zhong Shan government authorities regarding early settlement of China Assets' investments in two toll roads has made progress, it is expected that the transaction could be completed in the next few months. Due to the illegitimate and unauthorised unilateral action of the Chinese partner of Shenzhen SPEC Plastic Holdings Co. Ltd. ("SPPC"), SPPC was led to provide guarantees for the bank loans of the Chinese partner and its group companies. As the Chinese partner had defaulted in loan repayments, SPPC might have to honour the contingent liabilities. China Assets has taken steps to push the Chinese partners to take remedial actions to solve the problem in 2002.

The Group had disposed of three non-core investments in 2001 and recorded a satisfactory return. Interest income fell from HK\$16 million in 2000 to HK\$10 million in 2001 mainly due to the significant reduction in interest rates in Hong Kong. The Group has taken measures to improve the return from the Group's surplus fund.

### **PROSPECTS**

The performance of the Group's financial services operation will continue to be affected by market conditions including the economic outlook, market sentiment and movements in interest rates. The Group will work to enhance its position in the Hong Kong stock market and to strengthen its capability in serving small to medium size companies particularly for PRC enterprises. During the first quarter of 2002, the Corporate Finance Division had already completed two sponsorships of IPO. The Group will continue its efforts to improve its online securities trading services to better serve its clients especially those who station in the Chinese Mainland. Measures have been taken to centralise the Group's research operations to focus on providing quality reports and analysis on red chips and H shares.

ZCIC is applying for an air freight forwarding licence in Shanghai in order to provide a full range of cargo transportation and freight forwarding services. The move will help to increase its profit margin.

Goodbaby is planning to expand its sales network in China by the opening of more franchise stores. It is expected that the retail business environment will continue to remain very challenging in 2002. Goodbaby will strive to sustain its dominant market position by offering differentiated and cost-saving products. It will also look for business partners to expand the European market.

# CHAIRMAN'S STATEMENT



## **PROSPECTS** *(Cont'd)*

China Assets will focus on disposing of its existing direct investments in 2002. For identifying new investment opportunities, it plans to focus on a few selected value-added industries that employ new technologies for synergy and strategic monitoring reasons.

The Group is cautious about the outlook for the year ahead. Much will depend on the pace of recovery in the U.S. The Group is well able to weather the remainder of the downturn in economy and is in a strong position to benefit from any improvement in economic conditions that may occur in 2002.

I would like to take this opportunity to express thanks on behalf of the Board to all our clients for their support and to our fellow directors and staff members for their dedication and contribution.

**LAO YUAN YI**

*Chairman and Managing Director*

Hong Kong, 19th April 2002



## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS

For the year ended 31st December 2001, the Group recorded a turnover of HK\$298 million and profit attributable to shareholders of HK\$65 million as compared to HK\$290 million and HK\$58 million respectively in 2000. Basic earning per share increased from HK 5.20 cents in 2000 to HK 5.77 cents in 2001, grew by 11%.

### DISPOSAL OF INTERESTS IN A SUBSIDIARY AND JOINTLY CONTROLLED ENTITIES

During the year, the Group disposed of its entire interests in two jointly controlled entities in PRC. The aggregate proceed and gain on these disposals amounted to approximately HK\$96 million and HK\$16 million. These two jointly controlled entities engaged in property development in Beijing and cargo distribution respectively.

In April 2001, the Group's controlling interests in Bonvision Technology Limited was sold at a consideration of HK\$20 million and the gain on disposal amounted to approximately HK\$10 million.

### LIQUIDITY AND FINANCIAL RESOURCES

During the year, 23,384,000 units of warrants and 1,520,000 share options were exercised and the net proceeds received by the Company, were approximately HK\$15 million.

The Group maintained sound financial position in 2001 and its operation and investment activities were principally financed by internal resources. The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. As at 31st December 2001, the Group had cash and bank balances of approximately HK\$307 million, investment in marketable securities of HK\$36 million and a gearing ratio (total liabilities excluding minority interest to shareholders' funds) of 7.3%. The Group's deposits are placed with our principal bankers at competitive time deposit interest rate.

### PLEDGE OF ASSETS

Certain properties of the Group with an aggregate net book value of approximately HK\$95 million as at 31st December 2001 (2000: HK\$96 million) as well as fixed deposits of HK\$15 million (2000: HK\$13 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$120 million (31st December 2000: HK\$93 million) granted to the Group.



## EMPLOYEES

As at 31st December 2001, the Group employed 473 staff, of which 410 are located in the Chinese Mainland. Employee remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined contribution provident fund schemes and employee shares option scheme. Training courses are provided to staff where necessary.





## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at 19th Floor, Wing On House, 71 Des Voeux Road, Central, Hong Kong on Friday, 24th May 2002 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the Reports of the Directors and Auditors for the year ended 31st December 2001.
2. To re-elect retiring Directors in accordance with the Articles of Association and authorize the Board of Directors to fix Directors' remuneration.
3. To declare a final dividend of HK\$0.015 per share for the year ended 31st December 2001.
4. To re-appoint the Auditors of the Company and to authorize the Board of Directors to fix their remuneration.
5. As special business to consider and, if thought fit, to pass with or without amendments, the following resolution as an Ordinary Resolution:

**"THAT**

- (a) the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase its shares subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
- (b) the total nominal amount of the shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue as at the date of this Resolution, and the said approval shall be limited accordingly; and

## NOTICE OF ANNUAL GENERAL MEETING



(c) for the purpose of this Resolution, 'Relevant Period' means the period from the passing of this Resolution until the earlier of:

- (i) the conclusion of the next annual general meeting;
- (ii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meetings; and
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held."

6. As special business to consider and, if thought fit, to pass with or without amendments, the following resolution as an Ordinary Resolution:

**"THAT**

- (a) the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to issue, allot and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which may require the exercise of such power, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;



## NOTICE OF ANNUAL GENERAL MEETING

(c) otherwise than pursuant to a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) or the exercise of subscription rights under the share option scheme of the Company, the total nominal amount of share capital issued, allotted, disposed of or agreed conditionally or unconditionally to be issued, allotted or disposed of (whether pursuant to an option or otherwise) shall not in total exceed 20% of the total nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution, "Relevant Period" shall have the same meaning as in resolution no. 5(c)."

7. As special business to consider and, if thought fit, to pass with or without amendments the following resolution as an Ordinary Resolution:

**"THAT** conditional upon resolution no. 5 above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are purchased by the Company under the authority granted to the Directors as mentioned in resolution no. 5 above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to resolution no. 6 above."

8. As special business to consider and, if thought fit, to pass with or without amendments the following resolution as an Ordinary Resolution:

**"THAT** the Share Option Scheme which was adopted by the Company on 12th May 1994 be terminated and that a new Share Option Scheme which is proposed to be adopted by the Board of Directors be adopted on the date of the Annual General Meeting."

# NOTICE OF ANNUAL GENERAL MEETING



9. As special business to consider and, if thought fit, to pass with or without amendments the following resolution as a Special Resolution:

**“THAT** the new Articles of Association of the Company, a copy of which is attached to this resolution and initiated by the Chairman of the Board of Directors for identification purpose, be adopted as the New Articles of Association of the Company.”

By Order of the Board

**LAO Yuan Yi**

*Chairman and Managing Director*

Hong Kong, 19th April 2002

*Registered Office:*

Room 1903

Wing On House

71 Des Voeux Road

Central

Hong Kong

*Notes:*

1. The register of members of the Company will be closed from Friday, 17th May 2002 to Friday, 24th May 2002, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Thursday, 16th May 2002.
2. Every member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.



## REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st December 2001.

### **PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associated companies and jointly controlled entities are set out in notes 13, 14 and 15 to the accounts.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and geographical locations is set out in note 2 to the accounts.

### **RESULTS**

The results for the year are set out in the consolidated profit and loss account on page 24.

### **DIVIDEND**

The Board of Directors recommends the payment of a final dividend of HK\$0.015 per ordinary share, totalling HK\$16,969,856 (2000: HK\$16,708,495).

### **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

### **FIXED ASSETS**

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

### **SHARE CAPITAL**

Details of the movements in share capital of the Company are set out in note 21 to the accounts.

# REPORT OF THE DIRECTORS



## DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2001, calculated pursuant to section 79B of the Hong Kong Companies Ordinance, amounted to HK\$76,449,111 (2000: HK\$93,925,702, as restated).

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
January 2001	496,000	0.445	0.435	220,901
February 2001	584,000	0.400	0.395	233,508
September 2001	6,280,000	0.360	0.315	2,183,397
	7,360,000			2,637,806

The above shares were cancelled upon repurchases and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount of HK\$1,472,000 equivalent to the nominal value of the cancelled shares was transferred from retained profits to the capital redemption reserve. The remaining portion of premium and brokerage expenses payable on the repurchases was charged against the retained profits.

Apart from the repurchases of shares as disclosed above, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries purchased or sold any of its securities listed on the Stock Exchange during the year ended 31st December 2001.



## REPORT OF THE DIRECTORS

### SHARE OPTION

On 12th May 1994, a share option scheme (the "Scheme") was approved by the shareholders of the Company. The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff. Under the terms of the Scheme, the directors have the discretion to grant to employees and directors of any member of the Group to subscribe for shares in the Company.

The maximum number of shares subject to the Scheme is not exceeding 10 percent of the issued share capital of the Company from time to time (excluding shares issued upon exercise of options granted pursuant to the Scheme) and the maximum number of shares in respect of which options may be granted to any one participant together with any shares which would be issued in respect of options which have been exercised by him and any shares which would be issued upon exercise of outstanding options granted to him shall not exceed 25 percent of the maximum number of shares issued and issuable under the Scheme at the time. The total number of shares available for issue under the Scheme as at the date of the annual report is 13,077,804, representing approximately 1.17% of the issued share capital of the Company as of that date.

The consideration for the grant of an option is HK\$1.00. The Scheme participant is entitled to subscribe for shares during such period as may be determined by the directors (which shall be less than 10 years from the date of the grant of the relevant option and commences six months after the acceptance of the grant) at the price to be determined by the board of directors but not less than the higher of the nominal value of the shares and 80 percent of the average of the official closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date on which the option is granted.

The Scheme will remain in force for a period of 10 years from 12th May 1994, the date of adoption of the Scheme, after which no options may be granted.

## REPORT OF THE DIRECTORS



### SHARE OPTION (Cont'd)

Details of share options granted under the Scheme and remain outstanding as at 31st December 2001 are as follows:—

	Options held at 1 January 2001	Options exercised during year	Options lapsed during year	Options held at 31 December 2001	Exercise price HK\$	Date of grant	Exercise period
Directors:							
Lao Yuan Yi	7,338,100	—	—	7,338,100	0.342	26/09/1995	26/03/1996-07/10/2005
	5,503,900	—	—	5,503,900	0.318	11/07/1996	11/01/1997-15/07/2006
	10,000,000	—	—	10,000,000	0.816	01/11/1997	01/05/1998-12/11/2007
Xin Shulin, Steve	2,534,980	—	—	2,534,980	0.453	26/01/1995	26/07/1995-09/02/2005
	838,640	—	—	838,640	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	—	—	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	4,464,000	—	—	4,464,000	0.283	08/07/1998	08/01/1999-15/07/2008
Yeung Wai Kin	2,401,560	—	—	2,401,560	0.453	26/01/1995	26/07/1995-09/02/2005
	1,494,304	—	—	1,494,304	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	—	—	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	7,500,000	520,000 <sup>(1)</sup>	—	6,980,000	0.283	08/07/1998	08/01/1999-15/07/2008
Hu Yi Ming	1,000,000	—	—	1,000,000	0.816	01/11/1997	01/05/1998-12/11/2007
	2,300,000	—	—	2,300,000	0.283	08/07/1998	08/01/1999-15/07/2008
Employees	3,119,640	—	2,852,800	266,840	0.453	26/01/1995	26/07/1995-09/02/2005
	4,101,712	—	—	4,101,712	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	—	1,450,000	1,050,000	0.816	01/11/1997	01/05/1998-12/11/2007
	2,812,000	1,000,000 <sup>(2)</sup>	—	1,812,000	0.283	08/07/1998	08/01/1999-15/07/2008
	200,000	—	200,000	—	0.493	24/12/1999	24/12/1999-06/12/2009
	63,108,836	1,520,000	4,502,800	57,086,036			

#### Notes:

- (1) Exercise date was 4th June 2001. At the date before the options were exercised, the market value per share was HK\$0.73.
- (2) Exercise date was 5th June 2001. At the date before the options were exercised, the market value per share was HK\$0.77.
- (3) The above options granted are not recognised in the accounts until they are exercised. Rule 17.08 of the Listing Rules stipulates that the listed issuer is encouraged to disclose in its annual report and interim report the value of share options granted to participants. The Directors consider it inappropriate to value the share options as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the share option based on various speculative assumptions would be meaningless and could be misleading to the shareholders.





## REPORT OF THE DIRECTORS

### DIRECTORS

The directors who held office during the year and up to the date of this report were:

Mr. LAO Yuan Yi

Mr. XIN Shulin, Steve

Mr. YEUNG Wai Kin

Mr. HU Yi Ming

Mr. XU Wei Ming

Mr. JIANG Guo Fang

Mr. LU Wen Qing

\* Prof. WOO Chia Wei

\* Mr. KWOK Lam Kwong, Larry

\* *Independent non-executive directors*

Prof. WOO Chia Wei, Messrs. JIANG Guo Fang and LU Wen Qing retire in accordance with the Company's articles of association, and being eligible, offer themselves for re-election.

### DIRECTORS' SERVICE CONTRACTS

Messrs. YEUNG Wai Kin, XIN Shulin, Steve and HU Yi Ming have service contracts with the Company with no fixed expiry period and are not determinable within one year without payment of compensation.

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the directors of the Company and senior management of the Group are set out as follows (with age in brackets):—

Mr. **Lao Yuan-Yi** (56). Chairman & Managing Director. Joined the Company in 1993. Currently Chairman of China Assets (Holdings) Ltd, the Company's associated company which is listed on The Stock Exchange of Hong Kong Limited. Previously senior policy researcher at China's National Research Centre for Science & Technology and Social Development, senior staff officer with the PRC State Science & Technology Commission & the PRC Railway Ministry. Mr. Lao graduated from Shanghai Fudan University and obtained his master's degree from Harvard University.



### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Mr. **Xin Shu-Lin, Steve** (48). Appointed as Director of the Company in 1998. He joined the Company in 1994 as Executive Vice President in charge of direct investment. Previously Mr. Xin worked as registered Financial Planner for Merrill Lynch and Senior Financial Analyst and Partner for Vail Securities Inc in Vail Colorado. He graduated from Lanzhou University in 1982 and obtained his MBA degree from University of Denver in 1992. Mr. Xin is also director of China Assets (Holdings) Limited and RBI Holdings Limited, the Company's associated companies which are listed on The Stock Exchange of Hong Kong Limited.

Mr. **Yeung Wai-Kin** (40). Appointed as Director of the Company in 1998. He is also Chief Financial Officer and Company Secretary of the Company. Mr. Yeung joined the Company in 1993 and has over 18 years experience in auditing, finance and management positions. He is also director of China Assets (Holdings) Limited and RBI Holdings Limited, the Company's associated companies which are listed in The Stock Exchange of Hong Kong Limited. Mr. Yeung possesses professional membership of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants and the Taxation Institute of Hong Kong.

Mr. **Hu Yi-Ming** (39). Appointed as Director of the Company in 1998. He joined the First Shanghai Group in 1996 as Managing Director of its Assets Management Division. Prior to joining the First Shanghai Group, Mr. Hu was Vice President - Foreign Exchange of Banque Paribas, Hong Kong Branch. Mr. Hu graduated with a Bachelor of Economics degree from the Shanghai University of Finance and Economics. After his graduation, he gained extensive experience in money market dealing from several reputable corporations in PRC, USA and Singapore.

Mr. **Xu Wei-Ming** (55). Appointed as Director of the Company in 1998. Currently Managing Director of Shanghai Jing Long Business Co Ltd. He graduated from English Department of Shanghai Fudan University, got the Master of Arts of California State University, Sacramento in the United States. Before that, he served as a teacher in the Economic Administration Department of China Textile University.

Mr. **Jiang Guo-Fang** (45). Appointed as Director of the Company in 1996. Acquired MBA Master's Degree from the Asia (Macau) International Open University. Currently Executive Vice President of Shenyin & Wanguo Securities Co., Ltd. and Chairman of Shenyin Wanguo (Hong Kong) Ltd. He has over 14 years working experience in the People's Bank of China, Shanghai Branch and The Industrial & Commercial Bank of China, Shanghai Branch. He took the position of Executive Vice President of Shanghai Shenyin Securities Co., Ltd since 1992, and that of Shenyin & Wanguo Securities Co. Ltd. since 1996.



## REPORT OF THE DIRECTORS

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Mr. **Lu Wen-Qing** (44). Appointed as Director of the Company in 1996. Currently Managing Director of International Business Division of Shenyin & Wanguo Securities Co., Ltd. and a Non-Executive Director of Shenyin Wanguo (Hong Kong) Ltd. He graduated from the Shanghai University of Finance & Economics. Prior to joining Shanghai Shenyin Securities Co. Ltd., he served as a senior officer in Shanghai Trust & Investment Corporation of The Industrial & Commercial Bank of China and as an attaché of the Chinese Embassy in Gabon.

Professor **Woo Chia-Wei** (64). Appointed as Independent Non-Executive Director in 1993. Currently Senior Advisor to the Shui On Holdings Limited. President Emeritus of the Hong Kong University of Science and Technology. Previously President, Provost, Department Chairman, and Professor of several reputable universities in the United States of America. He is also an independent non-executive director of several companies including Shanghai Industrial Holdings Limited and Legend Holdings Limited. He serves on the Commission on Strategic Development and Council of Advisors on Innovation and Technology of HKSAR, and the Chinese People's Political Consultative Conference.

Mr. **Kwok Lam-Kwong, Larry** (46). Appointed as Independent Non-Executive Director in 1995. Mr. Kwok is a practising solicitor in Hong Kong and also qualified to practise as a solicitor in Australia, England and Singapore. He is also qualified as an accountant in Hong Kong and Australia. He graduated from the University of Sydney, Australia with bachelor's degrees in economics and laws respectively as well as a master's degree in laws. He is currently the Vice-Chairman of the Consumer Council, a member of the Hospital Governing Committee of the Princess Margaret Hospital, a member of the Criminal & Law Enforcement Injuries Compensation Boards and a member of the Trade and Industry Advisory Board in Hong Kong. He is a member of the Political Consultative Committee of Guangxi of the People's Republic of China.

Mr. **Wang Jun-Yan** (32). Joined the Company in October 1997, is the Managing Director of First Shanghai Financial Holding Limited, an immediate holding company of the financial service division of the First Shanghai Group. He is also a director of China Assets (Holdings) Limited, the Company's associated company which is listed in The Stock Exchange of Hong Kong Limited. Mr. Wang has more than 9 years experience in investment banking and securities industry. Mr. Wang holds a bachelor's degree with a major in International Trade from the Zhongshan University. He has also studied in a Ph.D. program of Finance in the City University of New York.

# REPORT OF THE DIRECTORS



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Mr. **Mo Siu-Lun, Henry** (39). Joined the Company in January 2000 as Chief Information Officer of the Group. Mr. Mo has over 19 years of managerial and technical experience in the information technology, manufacturing and marketing communication sector. Prior to joining the Group, he had held various management positions with major public listed companies. He obtained his Postgraduate Diploma in Engineering Management from City University of Hong Kong and a Master's Degree in Manufacturing Systems Engineering from Warwick University of the United Kingdom.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTERESTS IN SHARE EQUITY OR DEBT SECURITIES

At 31st December 2001, the interests of the directors in the shares and options of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register maintained by the Company under Section 29 of SDI Ordinance or as notified to the Company are as follows:—

Name of directors	Number of ordinary shares		
	Personal interests	Family interests	Corporate interests
Mr. Lao Yuan-Yi	42,080,000	—	75,308,000
Prof. Woo Chia-Wei	—	72,000	—

Arrangement on share options granted to directors are set out in the previous part of this report. Saved as disclosed above, none of the directors had any interests in the shares and options of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31st December 2001.

Apart from the share option scheme as mentioned in the previous part of this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors and chief executive (including their spouse and children under 18 years of age) of the Company and its associated corporations, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31st December 2001, the Company had been notified of the following substantial shareholder's interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

<b>Name of shareholder</b>	<b>Number of ordinary shares in the Company</b>
China Assets (Holdings) Limited ("China Assets")	238,032,000

China Assets is a Hong Kong listed company which is also an associated company of the Group. Apart from the above, so far as the directors are aware, there are no parties which were, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital of the Company as at 31st December 2001.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers respectively are both less than 30% for 2001 and 2000.

# REPORT OF THE DIRECTORS



## FIVE YEAR FINANCIAL SUMMARY

The summary of assets, liabilities and results of the Group for the last five financial years is as follows:—

	2001	Restated 2000	1999	1998	Restated 1997
	<b>HK\$'000</b>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	<b>1,228,273</b>	1,108,722	1,043,037	1,261,502	1,400,985
Total liabilities (Including minority interests)	<b>124,393</b>	113,552	107,814	422,823	441,610
Total net assets	<b>1,103,880</b>	995,170	935,223	838,679	959,375
Turnover	<b>298,332</b>	289,810	719,455	914,009	636,126
Profit/(loss) attributable to shareholders	<b>64,790</b>	58,379	54,321	(143,029)	16,894
Earnings/(loss) per share					
— basic	<b>5.77 cents</b>	5.20 cents	5.10 cents	(13.92 cents)	2.03 cents
— fully diluted	<b>5.70 cents</b>	5.17 cents	5.08 cents	N/A	N/A

In accordance with SSAP9 (revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") throughout the year, except that the independent non-executive directors of the Company are not appointed for specific terms and are subject to re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.



## REPORT OF THE DIRECTORS

### AUDIT COMMITTEE

The Audit Committee of the Board of Directors was established on 27th December 1998. To comply with the revised Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company has appointed the two independent non-executive directors of the Company, Prof. Woo Chia Wei and Mr. Kwok Lam Kwong, Larry as members of the Audit Committee. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. Three meetings were held during the current financial year.

### SUBSEQUENT EVENTS

Details of significant events which have been taken place subsequent to the balance sheet date are set out in note 28 to the accounts.

### AUDITORS

The accounts have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**LAO Yuan Yi**

*Chairman and Managing Director*

Hong Kong, 19th April 2002



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22nd Floor Prince's Building  
Central Hong Kong

## **AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST SHANGHAI INVESTMENTS LIMITED**

(incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 24 to 80 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### **BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### **OPINION**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 19th April 2002





# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2001

	Note	2001 HK\$	2000 HK\$
Turnover	2	<b>298,331,527</b>	289,810,334
Cost of sales		<b>(249,232,710)</b>	(225,457,238)
Gross profit		<b>49,098,817</b>	64,353,096
Other revenue	2	<b>8,962,528</b>	15,673,547
Distribution costs		<b>(68,200)</b>	(1,693,127)
Administrative expenses		<b>(74,946,109)</b>	(64,246,138)
Other operating expenses		<b>(8,183,117)</b>	(7,174,612)
Other operating income		<b>42,320,962</b>	13,871,565
Operating profit	3	<b>17,184,881</b>	20,784,331
Finance costs	4	<b>(260,603)</b>	(377,398)
Share of profits less losses of			
Associated companies		<b>31,520,305</b>	25,663,173
Jointly controlled entities		<b>29,517,397</b>	27,500,604
Profit before taxation		<b>77,961,980</b>	73,570,710
Taxation	5(a)	<b>(11,821,386)</b>	(12,611,588)
Profit after taxation		<b>66,140,594</b>	60,959,122
Minority interests		<b>(1,350,432)</b>	(2,580,148)
Profit attributable to shareholders	6	<b>64,790,162</b>	58,378,974
Dividend	7	<b>16,969,856</b>	16,708,495
Earnings per share			
— basic	8	<b>5.77 cents</b>	5.20 cents
— fully diluted	8	<b>5.70 cents</b>	5.17 cents

# BALANCE SHEETS

AS AT 31ST DECEMBER 2001



	Note	Group		Company	
		2001 HK\$	Restated 2000 HK\$	2001 HK\$	Restated 2000 HK\$
Intangible asset	11	1,555,718	—	—	—
Fixed assets	12	154,993,006	160,202,745	—	—
Investments in subsidiaries	13	—	—	597,910,396	837,195,425
Investments in associated companies	14	291,070,002	273,199,370	—	—
Investments in jointly controlled entities	15	237,341,309	276,556,185	112,378,159	131,750
Investment securities	16	81,414,103	79,923,072	59,380,773	51,610,457
Current assets					
Inventories	17	1,103,617	1,157,929	—	—
Other investments	18	20,192,868	24,930,692	7,523,050	—
Loans and advances		10,885,978	16,452,511	—	—
Accounts receivable and prepayments	19	107,751,720	58,309,985	2,184,035	2,439,051
Tax recoverable	5(b)	51,439	37,939	—	—
Deposits with a banking subsidiary		—	—	9,809,073	9,647,459
Pledged bank deposits	25(a)	15,000,000	13,000,000	—	—
Bank balances and cash	25(b)	306,913,916	204,951,541	211,798,268	90,160,946
		461,899,538	318,840,597	231,314,426	102,247,456
Current liabilities					
Due to subsidiaries		—	—	80,975,789	55,156,965
Accounts payable and accruals	20	76,676,037	61,972,640	18,948,657	10,099,406
Taxation payable	5(b)	771,789	3,015,457	—	—
Bank loans and overdrafts, secured	25(a)	3,343,832	2,795,444	—	—
		80,791,658	67,783,541	99,924,446	65,256,371
Net current assets		381,107,880	251,057,056	131,389,980	36,991,085
Total assets less current liabilities		1,147,482,018	1,040,938,428	901,059,308	925,928,717
Financed by:					
Share capital	21	226,264,741	222,755,941	226,264,741	222,755,941
Reserves	22	706,199,456	668,666,473	598,345,456	609,247,074
Retained profits					
Proposed final dividend	23	16,969,856	16,708,495	16,969,856	16,708,495
Other	23	154,446,203	87,039,100	59,479,255	77,217,207
Shareholders' funds		1,103,880,256	995,170,009	901,059,308	925,928,717
Minority interests		43,601,762	45,768,419	—	—
		1,147,482,018	1,040,938,428	901,059,308	925,928,717

On behalf of the Board

**Lao Yuan Yi**  
Director

**Yeung Wai Kin**  
Director



# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2001

	Note	2001 HK\$	2000 HK\$
Net cash outflow from operating activities	24(a)	(41,943,250)	(34,929,087)
Returns on investments and servicing of finance			
Interest received		9,421,798	16,188,691
Interest paid on bank loans and overdrafts		(260,603)	(182,296)
Dividends received from jointly controlled entities and associated companies		49,405,801	14,742,618
Dividends received from listed investments		466,466	676,467
Dividend paid		(16,690,500)	—
Net cash inflow from returns on investments and servicing of finance		42,342,962	31,425,480
Taxation			
Hong Kong profits tax paid		(2,165,916)	(78,967)
Overseas taxation paid		(1,192,386)	(447,717)
Total taxation paid		(3,358,302)	(526,684)
Investing activities			
Acquisition of a subsidiary	24(d)	—	308,386
Net proceeds from disposal of a subsidiary	24(f)	12,358,616	—
Acquisition of associated companies		(1,710,487)	—
Increase in investments in jointly controlled entities and associated companies		—	(25,802,018)
Proceeds from disposal of certain interest in an associated company		—	323,572
Proceeds from disposal of jointly controlled entities		97,772,181	—
Loan granted to a jointly controlled entity		—	(3,175,858)
Repayment of a loan granted to a jointly controlled entity		1,185,184	—
Proceeds from disposal of fixed assets		23,436	2,442,806
Purchase of fixed assets		(11,112,026)	(13,040,622)
Purchase of investment securities		(7,770,316)	(15,750,404)
Proceeds from disposal of investment securities		6,299,612	7,864,312
Purchase of an intangible asset		(1,637,600)	—
Net cash inflow/(outflow) from investing activities		95,408,600	(46,829,826)

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2001



	Note	2001 HK\$	2000 HK\$
Net cash inflow/(outflow) before financing		<b>92,450,010</b>	(50,860,117)
Financing			
Issue of ordinary shares and exercise of share options		<b>427,029</b>	3,344,147
Repurchase of shares		<b>(2,638,306)</b>	(5,029,118)
Conversion/placement of warrants		<b>14,387,261</b>	25,124,007
Repayment of short-term loans		—	(3,720,000)
Increase in investment in a subsidiary from a minority shareholder		—	1,466,677
Net cash inflow from financing	24(b)	<b>12,175,984</b>	21,185,713
Increase in bank deposits pledged		<b>(2,000,000)</b>	—
Increase/(Decrease) in cash and cash equivalents		<b>102,625,994</b>	(29,674,404)
Cash and cash equivalents at 1st January		<b>204,951,541</b>	239,332,334
Effect of foreign exchange rate changes		<b>(1,172,860)</b>	(4,706,389)
Cash and cash equivalents at 31st December		<b>306,404,675</b>	204,951,541
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		<b>306,913,916</b>	204,951,541
Bank overdrafts		<b>(509,241)</b>	—
		<b>306,404,675</b>	204,951,541



# CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31ST DECEMBER 2001

	Note	2001 HK\$	2000 HK\$
Share of post-acquisition reserves of associated companies and jointly controlled entities	22	395,932	536,433
Exchange differences arising on translation of the accounts of subsidiaries, associated companies and jointly controlled entities	22	3,000,307	(3,945,435)
Net gains/(losses) not recognised in the profit and loss account		3,396,239	(3,409,002)
Profit attributable to shareholders		64,790,162	58,378,974
<i>Less:</i>			
Realisation of land and buildings revaluation reserve upon disposal of land and buildings to the profit and loss account		—	(964,196)
<i>Add:</i>			
Reversal of goodwill previously written off to capital reserve	22	45,038,362	112,112
Realisation of warrant reserve upon lapse of warrants	22	22,207,108	—
Total recognised gains and losses		135,431,871	54,117,888
Goodwill eliminated directly against reserves	22	—	(18,552,569)
Negative goodwill on deemed acquisition of an associated company	22	—	943,068
		135,431,871	36,508,387
Cummulative effect of changes in accounting policy adopted on 1st January 2001			
Retained profits as at 1st January			
— effect of adopting SSAP 30	1(d) and 23	(16,696,112)	—



## 1 PRINCIPAL ACCOUNTING POLICIES

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

### (a) Basis of preparation

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

In the current year, the HKSA issued a number of Statements of Standard Accounting Practice (“SSAPs”) and related interpretations which are effective for accounting periods commencing on or after 1st January 2001. The new SSAPs relevant to the Group are:

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



# NOTES TO THE ACCOUNTS

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

### (a) Basis of preparation *(Cont'd)*

The adoption of SSAPs 14 (revised), 26, 28, 29 and 32 has no change to the accounting policies that affect the Group's accounts. The adoption of SSAPs 30 and 31 and Interpretation 13 "Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against /credited to reserves" constitutes a change in accounting policies of the Group regarding the treatment of goodwill and the provision against impairment on goodwill (note 1(d)(i)). The adoption of SSAP 9 (revised) constitutes a change in accounting policies of the Group regarding the treatment of dividend declared after the balance sheet date (note 1(o)).

### (b) Group accounting

#### (i) Consolidation

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

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

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

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



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

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

#### (i) Consolidation *(Cont'd)*

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

#### (ii) Jointly controlled entities

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

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

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

#### (iii) Associated companies

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

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





# NOTES TO THE ACCOUNTS

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

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

#### (iii) *Associated companies (Cont'd)*

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.

#### (iv) *Translation of foreign currencies*

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

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

### (c) Fixed assets

#### (i) *Investment properties*

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



## 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

#### (i) Investment properties (Cont'd)

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

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

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

#### (ii) Leasehold land and buildings in Hong Kong

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

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

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



# NOTES TO THE ACCOUNTS

## 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

#### (iv) Construction-in-progress

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

#### (v) Depreciation of fixed assets

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

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

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



## 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

#### (vi) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets 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 except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

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

### (d) Intangible assets

#### (i) Goodwill/Negative goodwill

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

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is amortised by equal annual instalments over its estimated useful economic life of 5 to 15 years.

Prior to 1st January 2001, the Group eliminated goodwill arising from different acquisitions on consolidation by immediate elimination to reserves.



# NOTES TO THE ACCOUNTS

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

### (d) Intangible assets *(Cont'd)*

#### (i) Goodwill/Negative goodwill *(Cont'd)*

In respect of goodwill previously eliminated to reserves, the Group has applied the transitional provision 1(a) in SSAP 30 and the relevant goodwill previously eliminated against reserves/retained profits has not been restated. In accordance with the transitional provisions of SSAP 30 and SSAP 31, where an impairment loss has arisen since the date of acquisition on goodwill previously written off against reserves, and previously there was not a policy to recognise such impairment losses, this change in accounting policy should be applied retrospectively and the impairment losses have been recognised as a prior year adjustment to opening retained earnings in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies". The comparative accounts for 2000 have been restated to conform to the changed policy.

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

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

For acquisitions prior to 1st January 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not been restated.



## 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (d) Intangible assets (Cont'd)

#### (i) Goodwill/Negative goodwill (Cont'd)

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

#### (ii) Trading right

On adoption of SSAP29, the trading right of Hong Kong Futures Exchange Limited ("Futures Exchange trading right") is recognised as an intangible asset. It is stated at cost and amortised using the straight-line method over its estimated useful life of 10 years.

#### (iii) Impairment of intangible assets

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

### (e) Operating leases

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

In accordance with SSAP 14 (revised), the Group is required to disclose the aggregate future minimum lease payments, analysed into the periods on which the payment is to be made. This is a change from previous SSAP 14 which only required disclosure of the minimum lease payments payable in the next twelve months, analysed into the periods in which the lease expires. Comparative information has also been restated to conform to the changed policy.



# NOTES TO THE ACCOUNTS

## 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (f) Investments in securities

#### (i) *Investment securities*

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

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

#### (ii) *Other investments*

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

### (g) Inventories

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



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

### (h) Accounts receivable

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

### (i) Cash and cash equivalents

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

### (j) Contingent liabilities

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

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

### (k) Deferred taxation

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





# NOTES TO THE ACCOUNTS

## 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (l) Revenue recognition

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

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

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

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

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

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

### (m) Retirement benefit costs

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

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



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

### (n) Segment reporting

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets (note 11) and fixed assets (note 12) and including additions resulting from acquisitions through purchases of subsidiaries (note 13).

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.

### (o) Dividends

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



## NOTES TO THE ACCOUNTS

### 2 TURNOVER, REVENUE AND SEGMENT INFORMATION

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

	2001 HK\$	2000 HK\$
Turnover		
Securities trading and investment	<b>214,275,815</b>	194,212,206
Container transportation and freight forwarding services	<b>49,015,752</b>	51,382,165
Corporate finance and stockbroking	<b>33,461,295</b>	35,924,160
Sales of software and ASP consultancy services	<b>613,545</b>	6,243,908
Investment holding, property holding and management	<b>965,120</b>	2,047,895
	<b>298,331,527</b>	289,810,334
Other revenue		
Interest income	<b>8,962,528</b>	15,673,547
Total revenues	<b>307,294,055</b>	305,483,881

#### Primary reporting format — business segments

The Group is organised into six main business segments:

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

# NOTES TO THE ACCOUNTS



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

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

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



## NOTES TO THE ACCOUNTS

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

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

	Securities trading and investment 2000 HK\$	Container transportation and freight forwarding services 2000 HK\$	Corporate finance and stockbroking 2000 HK\$	Sales of software and ASP consultancy services 2000 HK\$	Investment holding, property holding and management 2000 HK\$	Sales of child products 2000 HK\$	Group 2000 HK\$
Turnover	194,212,206	51,382,165	35,924,160	6,243,908	2,047,895	—	289,810,334
Segment results	13,458,771	4,437,050	14,595,379	(2,150,442)	(25,229,974)	—	5,110,784
Interest income							15,673,547
Finance costs							(377,398)
Share of profits less losses of							
— Associated companies					1,226,673	24,436,500	25,663,173
— Jointly controlled entities					226,270	27,274,334	27,500,604
Profit before taxation							73,570,710
Taxation							(12,611,588)
Profit after taxation							60,959,122
Minority interests							(2,580,148)
Profit attributable to shareholders							58,378,974
<b>Balance sheet</b>							
Segment assets	25,001,014	93,024,766	7,409,114	—	433,493,581	—	558,928,475
Investments in associated companies					161,041,370	112,158,000	273,199,370
Investments in jointly controlled entities					68,959,755	207,596,430	276,556,185
Tax recoverable							37,939
Total assets							1,108,721,969
Segment liabilities	348,128	16,148,539	289,398	—	47,982,019	—	64,768,084
Taxation payable							3,015,457
Total liabilities							67,783,541
<b>Other information</b>							
Capital expenditure	19,500	3,178,608	557,542	—	9,284,972	—	13,040,622
Depreciation	80,957	6,805,849	82,537	—	3,655,210	—	10,624,553

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

# NOTES TO THE ACCOUNTS



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

### Secondary reporting format — geographical segments

The Group operates in two main geographical areas:

Hong Kong — Securities trading and investment, corporate finance and stockbroking, sales of software and ASP consultancy services and investment holding, property holding and management

Chinese Mainland — Container transportation and freight forwarding services

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



## NOTES TO THE ACCOUNTS

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

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

	<b>Turnover</b>	<b>Segment</b>	<b>Total</b>	<b>Capital</b>
	<b>2000</b>	<b>results</b>	<b>assets</b>	<b>expenditure</b>
	<i>HK\$</i>	<i>2000</i>	<i>2000</i>	<i>2000</i>
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	234,242,756	(2,306,868)	404,817,364	9,794,046
Chinese Mainland	53,980,878	6,434,314	104,338,500	3,236,055
Others	1,586,700	983,338	49,772,611	10,521
	<u>289,810,334</u>	5,110,784	558,928,475	<u>13,040,622</u>
Interest income		<u>15,673,547</u>		
Operating profit		<u>20,784,331</u>		
Investments in associated companies			273,199,370	
Investments in jointly controlled entities			276,556,185	
Tax recoverable			<u>37,939</u>	
Total assets			<u>1,108,721,969</u>	

There are no sales between the geographical segments.

# NOTES TO THE ACCOUNTS



## 3 OPERATING PROFIT

	Group	
	2001 HK\$	2000 HK\$
Operating profit is stated after crediting and charging the following:		
<b>Crediting</b>		
Interest income	9,808,758	16,125,220
Dividend income from listed investments	466,466	676,467
Gross rental income from investment properties	771,074	1,511,622
Gain on disposal of shares held in Hong Kong Exchange and Clearing Limited	—	6,975,061
Gain on disposal of investment securities	1,141,762	839,912
Gain on disposal of fixed assets	—	1,263,829
Gain on disposal of a subsidiary *	10,117,145	—
Gain on disposal of certain interest in an associated company	—	83,573
Gain on disposal of jointly controlled entities *	26,729,218	—
Gain on dilution of interest in a jointly controlled entity	—	2,596,772
Net exchange gain	708,223	—
<b>Charging</b>		
Depreciation	10,748,021	10,624,553
Amortisation of trading right	81,882	—
Amortisation of goodwill on acquisition of an associated company	115,282	—
Staff costs (including directors' remuneration and retirement benefit costs)	46,587,362	37,385,077
Cost of inventories sold	—	3,445,808
Direct expense in respect of container transportation and freight forwarding services	40,556,323	41,679,052
Operating leases rental in respect of land and buildings	2,063,579	1,264,926
Outgoings in respect of investment properties	167,078	437,833
Retirement benefit costs (Note 10)	2,816,510	2,786,852
Auditors' remuneration	1,008,356	1,096,024
Unrealised loss on revaluation of other investments	2,020,666	6,295,358
Provision for diminution in value of investment securities		
— unlisted investments	—	765,139
Provision for doubtful debts	613,193	1,085,959
Net exchange losses	—	36,313
Loss on disposal of fixed assets	163,226	—
Realised loss on portfolio management	3,913,897	—

\* These balances have been included in other operating income





## NOTES TO THE ACCOUNTS

### 4 FINANCE COSTS

	Group	
	2001 HK\$	2000 HK\$
Interest on bank loans and overdrafts	<b>260,603</b>	377,398

### 5 TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	Group	
	2001 HK\$	2000 HK\$
Hong Kong profits tax		
Current	<b>386,569</b>	2,302,100
Over provision in previous year	<b>(239,684)</b>	(29,450)
Overseas taxation		
Current	<b>954,249</b>	512,870
Share of taxation attributable to:		
Associated companies	<b>3,841,215</b>	3,492,058
Jointly controlled entities	<b>6,879,037</b>	6,334,010
	<b>11,821,386</b>	12,611,588

# NOTES TO THE ACCOUNTS



## 5 TAXATION (Cont'd)

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

	<b>2001</b>	<b>Group</b>
	<b>HK\$</b>	<b>2000</b>
		<b>HK\$</b>
Recoverable		
Hong Kong	<b>51,439</b>	37,939
Overseas	—	—
	<b>51,439</b>	37,939
Payable		
Hong Kong	<b>384,469</b>	2,390,000
Overseas	<b>387,320</b>	625,457
	<b>771,789</b>	3,015,457

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

	<b>2001</b>	<b>Group</b>
	<b>HK\$</b>	<b>2000</b>
		<b>HK\$</b>
Accelerated depreciation allowances	<b>(7,793,000)</b>	(1,494,000)
Tax losses not yet utilised	<b>27,152,000</b>	25,310,000
	<b>19,359,000</b>	23,816,000



## NOTES TO THE ACCOUNTS

### 6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Included in the profit attributable to shareholders is a loss of HK\$20,354,893 (2000: profit of HK\$14,910,638) which is dealt with in the accounts of the Company.

### 7 DIVIDEND

	2001 HK\$	2000 HK\$
Final, proposed, of HK\$0.015 (2000: HK\$0.015) per ordinary share	<b>16,969,856</b>	16,708,495

Notes:

- (a) The previously recorded final dividends proposed after the balance sheet date but accrued in the accounts for the year ended 31st December 2000 was HK\$16,708,495. Under the Group's new accounting policy as described in Note 1(o), this has been written back against opening retained profits as at 1st January 2001 in Note 23 and are now charged in the period in which they were proposed.
- (b) At a meeting held on 19th April 2002 the directors declared a final dividend of HK\$0.015 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31st December 2002.

### 8 EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$64,790,162 (2000: HK\$58,378,974). The basic earnings per share is based on the weighted average number of 1,123,511,672 (2000: 1,122,838,260) shares in issue during the year. The diluted earnings per share is based on 1,137,536,221 (2000: 1,128,179,736) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 14,024,549 (2000: 5,341,476) shares deemed to be issued at no consideration if all outstanding options had been exercised.

# NOTES TO THE ACCOUNTS



## 9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' remuneration

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

	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fees	<b>540</b>	540
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits-in-kind	<b>5,388</b>	5,202
Discretionary bonuses	<b>6,356</b>	4,000
Retirement scheme contributions	<b>334</b>	298
	<b>12,618</b>	10,040

Directors' fees disclosed above include HK\$540,000 (2000: HK\$540,000) paid to independent non-executive directors.

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



## NOTES TO THE ACCOUNTS

### 9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

The emoluments of the directors fell within the following bands:

Emolument bands HK\$	Number of directors	
	2001	2000
0 — 1,000,000	6	7
1,000,001 — 1,500,000	—	—
1,500,001 — 2,000,000	—	2
2,000,001 — 2,500,000	—	—
2,500,001 — 3,000,000	2	—
3,000,001 — 3,500,000	—	—
3,500,001 — 4,000,000	—	—
4,000,001 — 4,500,000	—	—
4,500,001 — 5,000,000	—	—
5,000,001 — 5,500,000	—	—
5,500,001 — 6,000,000	—	—
6,000,001 — 6,500,000	1	1
	<b>9</b>	<b>10</b>

No directors have waived emoluments in respect of the years ended 31st December 2001 and 2000.

# NOTES TO THE ACCOUNTS



## 9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (b) Five highest paid individuals

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

	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits-in-kind	<b>3,583</b>	2,269
Discretionary bonuses	—	628
Retirement scheme contributions	<b>102</b>	96
	<b>3,685</b>	2,993

The emoluments fell within the following bands:

<b>Emolument bands</b> <i>HK\$</i>	<b>Number of individuals</b>	
	<b>2001</b>	2000
0 — 1,000,000	—	—
1,000,001 — 1,500,000	—	1
1,500,001 — 2,000,000	<b>1</b>	1
2,000,001 — 2,500,000	<b>1</b>	—
	<b>2</b>	2



## NOTES TO THE ACCOUNTS

### 10 RETIREMENT BENEFIT COSTS

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

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

Forfeited contributions totalling HK\$76,154 (2000: HK\$216,818) were utilised during the year. There is no outstanding balance as at the balance sheet dates of 2001 and 2000 available to reduce the contributions payable in the future years.

Contributions totalling HK\$71,260 (2000: Nil) were payable to the fund at the year-end and are included in accounts payable.

# NOTES TO THE ACCOUNTS



## 11 INTANGIBLE ASSET

	<b>Group</b>
	<b>Futures exchange</b>
	<b>trading right</b>
	<i>HK\$</i>
<hr/>	
Cost	
Addition and at 31st December 2001	1,637,600
Accumulated amortisation	
Charge for the year and at 31st December 2001	(81,882)
<hr/>	
Net book value	
At 31st December 2001	1,555,718
<hr/>	





## NOTES TO THE ACCOUNTS

### 12 FIXED ASSETS

	Group									
	Investment properties		Land and buildings		Furniture, fixtures and equipment	Plant and machinery	Motor vehicles		Construction-in-progress	Total
	Long-term leases in Hong Kong	Long-term leases outside Hong Kong	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong			and trucks			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
<b>Cost or valuation</b>										
At 1st January 2001	6,000,000	10,971,141	97,484,671	22,725,020	21,643,337	7,358,363	50,712,467	162,378	217,057,377	
Exchange adjustment	—	—	—	500,692	40,008	113,769	638,751	2,340	1,295,560	
Additions	—	—	—	—	5,545,128	350,926	620,878	4,595,094	11,112,026	
Reclassifications	—	—	—	118,908	—	—	4,594,205	(4,713,113)	—	
Disposals	—	—	—	—	(615,653)	—	(2,900,955)	—	(3,516,608)	
Disposal of a subsidiary	—	—	—	—	(7,743,914)	—	—	—	(7,743,914)	
At 31st December 2001	6,000,000	10,971,141	97,484,671	23,344,620	18,868,906	7,823,058	53,665,346	46,699	218,204,441	
<b>Accumulated depreciation</b>										
At 1st January 2001	—	—	7,626,160	7,586,267	9,369,626	1,487,137	30,785,442	—	56,854,632	
Exchange adjustment	—	—	—	107,234	24,582	43,925	411,286	—	587,027	
Charge for the year	—	—	1,256,256	1,682,506	2,647,350	713,559	4,448,350	—	10,748,021	
Disposals	—	—	—	—	(428,991)	—	(2,900,955)	—	(3,329,946)	
Disposal of a subsidiary	—	—	—	—	(1,648,299)	—	—	—	(1,648,299)	
At 31st December 2001	—	—	8,882,416	9,376,007	9,964,268	2,244,621	32,744,123	—	63,211,435	
<b>Net book value</b>										
At 31st December 2001	6,000,000	10,971,141	88,602,255	13,968,613	8,904,638	5,578,437	20,921,223	46,699	154,993,006	
At 31st December 2000	6,000,000	10,971,141	89,858,511	15,138,753	12,273,711	5,871,226	19,927,025	162,378	160,202,745	

## NOTES TO THE ACCOUNTS



### 12 FIXED ASSETS (Cont'd)

The analysis at cost or valuation at 31st December 2001 of the above assets is as follows:

	Group								
	Investment properties		Land and building		Furniture, fixtures and equipment	Plant and machinery	Motor vehicles and trucks	Construction- in-progress	Total
	Long-term leases in Hong Kong	Long-term leases outside Hong Kong	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong					
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At cost	—	—	844,231	23,344,620	18,868,906	7,823,058	53,665,346	46,699	104,592,860
At professional valuation									
— 1994	—	—	96,640,440	—	—	—	—	—	96,640,440
— 2001	6,000,000	10,971,141	—	—	—	—	—	—	16,971,141
	6,000,000	10,971,141	97,484,671	23,344,620	18,868,906	7,823,058	53,665,346	46,699	218,204,441

Investment properties were revalued at 31st December 2001 on the basis of their open market values by Chung, Chan & Associates, an independent firm of chartered surveyors. The valuation remained the same as that at 31st December 2000.

The carrying amount of the land and buildings in Hong Kong under long-term leases would have been HK\$42,936,866 (2000: HK\$44,217,823) had they been stated at cost less accumulated depreciation.

At 31st December 2001, the net book value of fixed assets pledged as security for the Group's long-term loans amounted to HK\$94,602,255 (2000: HK\$95,858,511).



## NOTES TO THE ACCOUNTS

### 13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2001 HK\$	2000 HK\$
Unlisted shares, at cost	33,690,664	32,693,804
Loans to subsidiaries	786,010,774	972,602,448
Less: provision for permanent diminution in value	(221,791,042)	(168,100,827)
	<b>597,910,396</b>	837,195,425

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

The following is a list of the principal subsidiaries as at 31st December 2001 (see note (a) below):

Name	Place of incorporation (see note (b) below)	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2001	2000	
<b>Shares held directly:</b>					
First Shanghai Properties Limited	Hong Kong	16,500,002 ordinary shares of HK\$1 each	100%	100%	Property investment
First Shanghai Management Services Limited	Hong Kong	1,200,000 ordinary shares of HK\$1 each	100%	100%	Agency, management and secretarial services
First Shanghai Nominees Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Nominee services
First Shanghai Direct Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Investment holding

# NOTES TO THE ACCOUNTS



## 13 INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation (see note (b) below)	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2001	2000	
<b>Shares held directly (Cont'd):</b>					
* First Shanghai Securities Investment Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	100%	Share investment
* First Shanghai Financial Holding Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
* UAT Holdings Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	100%	Investment holding
* Asian & Pacific Commercial Bank Limited	Vanuatu	250,000 ordinary shares of A\$1 each 250,000 preference shares of A\$1 each	100%	100%	Banking services
* First Shanghai Investment Management Limited	Hong Kong	1,000,000 ordinary shares of HK\$1 each	100%	—	Financial advisory
* P.I. Investments Australia Pty. Limited	Australia	2,000,000 ordinary shares of A\$1 each	100%	100%	Securities investment
* First Shanghai Finance Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Money lending
* First Information Technology Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
<b>Shares/Investments held indirectly:</b>					
First Shanghai Capital Limited (formerly known as First Shanghai Trading Limited)	Hong Kong	12,000,000 ordinary shares of HK\$1 each	100%	100%	Corporate finance



## NOTES TO THE ACCOUNTS

### 13 INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation (see note (b) below)	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2001	2000	
<b>Shares/Investments held indirectly (Cont'd):</b>					
First Shanghai Securities Limited (formerly known as First Shanghai Capital Limited)	Hong Kong	30,000,000 ordinary shares of HK\$1 each	<b>100%</b>	100%	Stockbroking
CVIC International Container Transportation Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	<b>100%</b>	100%	Investment holding
* China Tiger Investments Limited	British Virgin Islands	10 ordinary shares of US\$1 each	<b>100%</b>	100%	Securities investment
* First Shanghai Hygienic Products Limited	British Virgin Islands	10 ordinary shares of US\$1 each	<b>100%</b>	100%	Investment holding
* Golad Resources Limited	British Virgin Islands	100 ordinary shares of US\$1 each	<b>100%</b>	100%	Investment holding
* Shanghai Zhong Chuang International Container Storage & Transportation Company Limited	Chinese Mainland	US\$10,457,447	<b>54%</b>	54%	Container transportation and freight forwarding
* Atlas Securities Pty. Limited	Australia	2 ordinary shares of A\$1 each	<b>100%</b>	100%	Securities investment
* Public Holdings (Australia) Limited (Listed in Sydney, Australia)	Australia	3,744,750 ordinary shares of A\$0.5 each	<b>74.2%</b>	74.2%	Securities investment

# NOTES TO THE ACCOUNTS



## 13 INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation (see note (b) below)	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2001	2000	
<b>Shares/Investments held indirectly (Cont'd):</b>					
* P.H.A Investment Pty. Limited	Australia	60,000 ordinary shares of A\$2 each	<b>74.2%</b>	74.2%	Property investment
* P.H.A. Trading Pty. Limited	Australia	2 ordinary shares of A\$0.5 each	<b>74.2%</b>	74.2%	Securities investment
First Shanghai Futures Limited	Hong Kong	7,500,000 ordinary shares of HK\$1 each	<b>100%</b>	100%	Futures broking
China C&Y International Holdings Limited	Cayman Islands	160,000 ordinary shares of US\$1 each	<b>100%</b>	100%	Investment holding
* First Shanghai Fund Management Limited	British Virgin Islands	100 ordinary shares of US\$1 each	<b>100%</b>	—	Fund management
* CT Prime Assets Limited	British Virgin Islands	10 ordinary shares of US\$1 each	<b>100%</b>	—	Securities investment
* First Shanghai Venture Capital Management Limited	Chinese Mainland	HK\$1,000,000	<b>100%</b>	—	Venture capital management
* BonVision International Consulting Limited	Chinese Mainland	HK\$1,000,000	<b>100%</b>	—	Financial consultancy
* BonVision Technology (Shanghai) Limited	Chinese Mainland	US\$200,000	<b>100%</b>	—	Technology consultancy

\* Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 8% (2000: 10%) of the Group's net assets.



## NOTES TO THE ACCOUNTS

### 13 INVESTMENTS IN SUBSIDIARIES (Cont'd)

Note:

- (a) The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affect the results of the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
- (b) The subsidiaries operate principally in their places of incorporation.

### 14 INVESTMENTS IN ASSOCIATED COMPANIES

	<b>2001</b>	<b>Group</b>
	<b>HK\$</b>	<b>2000</b>
		<b>HK\$</b>
Share of net assets	<b>290,608,871</b>	273,199,370
Goodwill on acquisition of associated companies less amortisation	<b>461,131</b>	—
	<b>291,070,002</b>	273,199,370
Investments at cost		
Shares listed in Hong Kong	<b>217,332,988</b>	217,416,560
Unlisted	<b>1,710,487</b>	—
	<b>219,043,475</b>	217,416,560
Market value of listed shares	<b>154,513,555</b>	136,352,354

## NOTES TO THE ACCOUNTS



### 14 INVESTMENTS IN ASSOCIATED COMPANIES (Cont'd)

The following is a list of the principal associated companies as at 31st December 2001:

Name	Place of incorporation (see note(b) below)	Particulars of issued shares held	Effective interests held indirectly		Principal activities
			2001	2000	
RBI Holdings Limited ("RBI") (see note (a) below)	Bermuda	361,756,000 ordinary shares of HK\$0.1 each	<b>25.58%</b>	25.47%	Manufacture of toys
China Assets (Holdings) Limited ("China Assets") (see note (a) below)	Hong Kong	74,383,160 ordinary shares of US\$0.1 each	<b>33.8%</b>	33.8%	Investment holding
China Assets Management Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	<b>30.9%</b>	—	Management and investment advisory services
Shanghai Yi Hang Logistic Network Management Limited	Chinese Mainland	RMB2,000,000	<b>13.39%</b>	—	Logistics services

Notes:

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





## NOTES TO THE ACCOUNTS

### 14 INVESTMENTS IN ASSOCIATED COMPANIES (Cont'd)

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

#### RBI

	2001 HK\$'000	2000 HK\$'000
Profit and loss account		
Turnover	561,167	550,696
Profit before taxation	103,188	97,846
Group's share of profit before taxation	28,410	24,437
Balance sheet		
Long-term assets	268,159	238,857
Current assets	325,701	318,828
Current liabilities	(90,284)	(106,175)
Long-term liabilities	(3,168)	(2,878)
Net assets	500,408	448,632

#### China Assets

	2001 HK\$'000	2000 HK\$'000
Profit and loss account		
Turnover	2,896	4,142
Profit before taxation	24,362	21,339
Group's share of profit before taxation	2,774	1,227
Balance sheet		
Long-term assets	549,709	517,363
Current assets	61,279	56,710
Current liabilities	(5,642)	(4,195)
Net assets	605,346	569,878

# NOTES TO THE ACCOUNTS



## 15 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Share of net assets	237,341,309	219,451,816	—	—
Loans to jointly controlled entities	—	57,104,369	112,378,159	131,750
	237,341,309	276,556,185	112,378,159	131,750

The following is a list of the principal jointly controlled entities as at 31st December 2001:

Name	Place of incorporation and operation	Principal activities	Effective interest in ownership/voting power/profit sharing	
			2001	2000
Zhejiang Shaoxing Betung Instrument Company Limited ("Shaoxing Betung") (see note (a) below)	Chinese Mainland	Manufacture of motor vehicle meters and components	40.8%	40.8%
Goodbaby Paragon Hygienic Products Company Limited ("Goodbaby Paragon") (see note (b) below)	Chinese Mainland	Production of diapers and related hygienic products	30%	30%
Geoby International Limited ("Geoby") (see note (c) below)	Cayman Islands	Investment holding	56.95%	—
Genius Technology International Limited ("GTI") (see note (d) below)	Hong Kong	Investment holding	36.35%	36.35%



## NOTES TO THE ACCOUNTS

### 15 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Cont'd)

Notes:

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

### 16 INVESTMENT SECURITIES

		Group		Company	
		2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Listed shares and unit trusts	(a)	22,033,330	23,133,370	—	—
Unlisted investments	(b)	59,380,773	56,789,702	59,380,773	51,610,457
		<b>81,414,103</b>	79,923,072	<b>59,380,773</b>	51,610,457

#### (a) Listed shares and unit trusts

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Listed shares and unit trusts				
— overseas, at cost	59,273,253	60,373,293	—	—
Less: provision for permanent diminution in value	(37,239,923)	(37,239,923)	—	—
	<b>22,033,330</b>	23,133,370	—	—

# NOTES TO THE ACCOUNTS



## 16 INVESTMENT SECURITIES (Cont'd)

### (b) Unlisted investments

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
— Shares and bonds, at cost	43,553,047	82,695,744	7,770,509	193
Less: provision for permanent diminution in value	(35,782,538)	(77,516,306)	—	—
	7,770,509	5,179,438	7,770,509	193
— Loan	66,097,264	66,097,264	68,061,764	66,097,264
Less: provision for permanent diminution in value	(14,487,000)	(14,487,000)	(16,451,500)	(14,487,000)
	51,610,264	51,610,264	51,610,264	51,610,264
	59,380,773	56,789,702	59,380,773	51,610,457

### (c) Market value of listed shares and unit trusts

	Group	
	2001 HK\$	2000 HK\$
Listed shares and unit trusts — overseas	16,069,778	15,695,077

## 17 INVENTORIES

	Group	
	2001 HK\$	2000 HK\$
Raw materials	1,103,617	1,157,929

At 31st December 2001 and 2000, all raw materials were stated at cost.



## NOTES TO THE ACCOUNTS

### 18 OTHER INVESTMENTS

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Equity securities at fair value				
Listed shares				
— overseas	10,696	2,501,442	—	—
— Hong Kong	13,941,564	22,429,250	—	—
	13,952,260	24,930,692	—	—
Unlisted	6,240,608	—	7,523,050	—
Total	20,192,868	24,930,692	7,523,050	—

### 19 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Due from stock brokers and Hong Kong Securities Clearing Company Limited	36,430,087	1,735,971	—	—
Trade receivables (Note)	29,079,875	23,086,704	—	—
Bills receivable	4,103,060	651,000	—	—
Prepayments and deposits	16,898,323	18,017,655	885,307	1,044,143
Other receivables	21,240,375	14,818,655	1,298,728	1,394,908
	107,751,720	58,309,985	2,184,035	2,439,051

Note: The majority of the Group's trade receivables is on credit terms of 30 to 60 days. At 31st December 2001, the ageing analysis of the trade receivables is as follows:

	Group	
	2001 HK\$	2000 HK\$
0 — 30 days	16,369,012	17,722,390
31 — 60 days	6,949,878	4,589,507
61 — 90 days	5,760,985	774,807
	29,079,875	23,086,704

## NOTES TO THE ACCOUNTS



### 20 ACCOUNTS PAYABLE AND ACCRUALS

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Due to stock brokers and dealers	1,225,000	—	—	—
Due to stockbroking clients	100,000	14,075,628	—	—
Trade payables (Note)	37,922,022	5,549,385	—	—
Other accounts payable	21,794,897	25,948,594	12,027,845	4,130,207
Accruals	15,634,118	16,399,033	6,920,812	5,969,199
	<b>76,676,037</b>	61,972,640	<b>18,948,657</b>	10,099,406

Note: At 31st December 2001, the ageing analysis of the trade payables is as follows:

	Group	
	2001 HK\$	2000 HK\$
0 — 30 days	37,922,022	4,977,595
31 — 60 days	—	148,912
61 — 90 days	—	422,878
	<b>37,922,022</b>	5,549,385



## NOTES TO THE ACCOUNTS

### 21 SHARE CAPITAL

	Ordinary shares of HK\$0.2 each			
	2001		2000	
	Number of shares	HK\$	Number of shares	HK\$
Authorised:				
At 1st January and 31st December	<b>2,000,000,000</b>	<b>400,000,000</b>	2,000,000,000	400,000,000
Issued and fully paid:				
At 1st January	<b>1,113,779,705</b>	<b>222,755,941</b>	1,115,949,405	223,189,881
Exercise of share options (Note (a))	<b>1,520,000</b>	<b>304,000</b>	9,646,300	1,929,260
Exercise of warrants (Note (b))	<b>23,384,000</b>	<b>4,676,800</b>	—	—
Repurchase of shares (Note (c))	<b>(7,360,000)</b>	<b>(1,472,000)</b>	(11,816,000)	(2,363,200)
At 31st December	<b>1,131,323,705</b>	<b>226,264,741</b>	1,113,779,705	222,755,941

Notes:

- (a) Pursuant to a share option scheme adopted on 12th May 1994, the board of directors may invite the executive directors of the Company and the employees of the Group to take up options to subscribe for the Company's shares. 1,520,000 options were exercised and 4,502,800 options were lapsed during the year. As at 31st December 2001, 57,086,036 options were outstanding which are exercisable at HK\$0.283 to HK\$0.816 per share with expiry dates between 9th February 2005 and 6th December 2009.
- (b) As at 1st January 2001, the Company had 220,000,000 units of warrants outstanding entitling the holders to subscribe for new shares at HK\$0.62 per share at any time from the date of issue up to and including 1st August 2001. During the year, 23,384,000 units of warrants were exercised and 196,616,000 units of warrants were lapsed as of 1st August 2001. There is no warrant outstanding as at 31st December 2001.
- (c) During the year, the Company repurchased 7,360,000 ordinary shares of HK\$0.2 each on The Stock Exchange of Hong Kong Limited at an aggregate price of HK\$2,638,306.
- (d) Please refer to the Report of the Directors for the details of repurchase of shares and share option scheme.

# NOTES TO THE ACCOUNTS



## 22 RESERVES

	Share premium HK\$	Warrant reserve HK\$	* Capital reserve HK\$	Capital redemption reserve HK\$	Investment properties revaluation reserve HK\$	Land and buildings revaluation reserve HK\$	Exchange fluctuation reserve HK\$	Total HK\$
<b>Group</b>								
At 1st January 2000	570,736,535	—	18,551,074	10,171,200	964,196	49,582,825	(2,401,058)	647,604,772
Reclassification	—	—	—	—	(964,196)	964,196	—	—
Premium on share options exercised and shares issued net of expenses	1,414,887	—	—	—	—	—	—	1,414,887
Placement of warrants net of expenses	—	25,124,007	—	—	—	—	—	25,124,007
Repurchase of shares	(2,665,918)	—	—	—	—	—	—	(2,665,918)
Goodwill written off on acquisition of a jointly controlled entity	—	—	(16,696,112)	—	—	—	—	(16,696,112)
Goodwill written off on acquisition of a subsidiary	—	—	(1,856,457)	—	—	—	—	(1,856,457)
Negative goodwill on deemed acquisition of an associated company	—	—	943,068	—	—	—	—	943,068
Reversal of goodwill, previously written off, on disposal of certain interest in an associated company	—	—	112,112	—	—	—	—	112,112
Share of post-acquisition reserves of associated companies and jointly controlled entities	—	—	536,433	—	—	—	—	536,433
Disposal of land and buildings	—	—	—	—	—	(964,196)	—	(964,196)
Transfer from retained profits on repurchase of shares	—	—	—	2,363,200	—	—	—	2,363,200
Exchanges differences on translation of the accounts of foreign subsidiaries, jointly controlled entities and associated companies	—	—	—	—	—	—	(3,945,435)	(3,945,435)
At 31st December 2000, as previously reported	569,485,504	25,124,007	1,590,118	12,534,400	—	49,582,825	(6,346,493)	651,970,361
Effect of adopting SSAP 30 (Note 1(d))	—	—	16,696,112	—	—	—	—	16,696,112
At 31st December 2000, as restated	569,485,504	25,124,007	18,286,230	12,534,400	—	49,582,825	(6,346,493)	668,666,473
Company and its subsidiaries	569,485,504	25,124,007	4,976,329	12,534,400	—	49,582,825	(6,346,493)	655,356,572
Associated companies	—	—	13,520,886	—	—	—	—	13,520,886
Jointly controlled entities	—	—	(210,985)	—	—	—	—	(210,985)
At 31st December 2000, as restated	569,485,504	25,124,007	18,286,230	12,534,400	—	49,582,825	(6,346,493)	668,666,473





## NOTES TO THE ACCOUNTS

### 22 RESERVES (Cont'd)

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

\* Capital reserve includes goodwill/negative goodwill arising on acquisition of subsidiaries, associated companies and jointly controlled entities by the Company, its subsidiaries, associated companies and jointly controlled entities prior to 1st January 2001.

# NOTES TO THE ACCOUNTS



## 22 RESERVES (Cont'd)

	Share premium <i>HK\$</i>	Warrant reserve <i>HK\$</i>	Capital reserve <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Total <i>HK\$</i>
<b>Company</b>					
At 31st January 2000	570,736,535	—	2,103,163	10,171,200	583,010,898
Premium on share options exercised and shares issued net of expenses	1,414,887	—	—	—	1,414,887
Placements of warrants net of expenses	—	25,124,007	—	—	25,124,007
Repurchase of shares	(2,665,918)	—	—	—	(2,665,918)
Transfer from retained profits on repurchase of shares	—	—	—	2,363,200	2,363,200
At 31st December 2000	569,485,504	25,124,007	2,103,163	12,534,400	609,247,074
At 31st January 2001	569,485,504	25,124,007	2,103,163	12,534,400	609,247,074
Premium on share options exercised and shares issued net of expenses	123,029	—	—	—	123,029
Exercise of warrants net of expenses	12,627,360	(2,916,899)	—	—	9,710,461
Realisation of warrant reserves upon lapse of warrants	—	(22,207,108)	—	—	(22,207,108)
Transfer from retained profits on repurchase of shares	—	—	—	1,472,000	1,472,000
At 31st December 2001	582,235,893	—	2,103,163	14,006,400	598,345,456



## NOTES TO THE ACCOUNTS

### 23 RETAINED PROFITS

	Group		Company	
	2001 HK\$	Restated 2000 HK\$	2001 HK\$	Restated 2000 HK\$
At 1st January, as previously reported	103,735,212	64,427,933	77,217,207	81,378,264
Effect of adopting SSAP 9 (revised) (Note 1(o))	16,708,495	—	16,708,495	—
Effect of adopting SSAP 30 (Note 1(d))	(16,696,112)	—	—	—
At 1st January, as restated	103,747,595	64,427,933	93,925,702	81,378,264
Transfer to capital redemption reserve	(1,472,000)	(2,363,200)	(1,472,000)	(2,363,200)
Profit/(Loss) for the year	64,790,162	58,378,974	(20,354,893)	14,910,638
2000 final dividend paid and payable	(16,690,500)	—	(16,690,500)	—
Repurchase of shares	(1,166,306)	—	(1,166,306)	—
Realisation of warrant reserve upon lapse of warrants	22,207,108	—	22,207,108	—
Effect of adopting SSAP 30 (Note 1(d))	—	(16,696,112)	—	—
At 31st December, as restated	171,416,059	103,747,595	76,449,111	93,925,702
Representing:				
Proposed final dividend	16,969,856	16,708,495	16,969,856	16,708,495
Other	154,446,203	87,039,100	59,479,255	77,217,207
At 31st December, as restated	171,416,059	103,747,595	76,449,111	93,925,702
Company and subsidiaries	88,020,313	70,669,301	76,449,111	93,925,702
Associated companies	15,444,511	(12,234,579)	—	—
Jointly controlled entities	67,951,235	45,312,873	—	—
At 31st December, as restated	171,416,059	103,747,595	76,449,111	93,925,702

# NOTES TO THE ACCOUNTS



## 24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$	2000 HK\$
Profit before taxation	77,961,980	73,570,710
Share of net profit of associated companies and jointly controlled entities	<b>(61,037,702)</b>	(53,163,777)
Interest income	<b>(9,808,758)</b>	(16,125,220)
Interest expense on bank loans and overdrafts	<b>260,603</b>	377,398
Loss/(Gain) on disposal of fixed assets	<b>163,226</b>	(1,263,829)
Gain on disposal of certain interest in an associated company	—	(83,573)
Gain on dilution of interest in a jointly controlled entity	—	(2,596,772)
Gain on disposal of a subsidiary	<b>(10,117,145)</b>	—
Gain on disposal of jointly controlled entities	<b>(26,729,218)</b>	—
Depreciation	<b>10,748,021</b>	10,624,553
Amortisation of trading right	<b>81,882</b>	—
Amortisation of goodwill on acquisition of an associated company	<b>115,282</b>	—
Dividend income from listed investments	<b>(466,466)</b>	(676,467)
Gain on disposal of investment securities	<b>(1,141,762)</b>	(839,912)
Increase in accounts receivable and prepayments	<b>(53,051,595)</b>	(17,434,105)
Decrease/(Increase) in loans and advances	<b>5,566,533</b>	(14,684,325)
Decrease/(Increase) in other investments	<b>10,978,432</b>	(16,949,333)
Increase in accounts payable and accruals	<b>14,479,125</b>	3,435,960
Provision for diminution in value of investment securities	—	765,139
Decrease in inventories	<b>54,312</b>	114,466
Net cash outflow from operating activities	<b>(41,943,250)</b>	(34,929,087)

## NOTES TO THE ACCOUNTS

### 24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

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

	Share capital including premium and warrant reserve		Minority interests		Bank loans	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
At 1st January	817,365,452	793,926,416	45,768,419	41,197,977	2,795,444	6,510,762
Exchange differences	—	—	(618,711)	(1,522,674)	39,147	4,682
Minority interests share of profits	—	—	1,350,432	2,580,148	—	—
Realisation of warrant reserves upon lapse of warrants	(22,207,108)	—	—	—	—	—
Disposal/(Acquisition) of a subsidiary	—	—	(2,898,378)	2,046,291	—	—
Repurchase of shares out of retained earnings	1,166,306	—	—	—	—	—
Cash inflows/(outflows) from financing	12,175,984	23,439,036	—	1,466,677	—	(3,720,000)
At 31st December	808,500,634	817,365,452	43,601,762	45,768,419	2,834,591	2,795,444

#### (c) Acquisition of a subsidiary

	2001 HK\$	2000 HK\$
Net assets acquired:		
Fixed assets	—	77,277
Trade and other receivables	—	2,244,996
Bank balances and cash	—	8,154,953
Trade and other payables	—	(2,440,825)
Minority interests	—	(2,046,291)
Goodwill	—	5,990,110
	—	1,856,457
	—	7,846,567
Satisfied by:		
Cash	—	7,846,567

# NOTES TO THE ACCOUNTS



## 24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

### (d) Analysis of the net cash inflow in respect of the acquisition of a subsidiary

	2001 HK\$	2000 HK\$
Bank balances and cash acquired	—	8,154,953
Cash consideration	—	7,846,567
Net cash inflow in respect of the acquisition of a subsidiary	—	308,386

### (e) Disposal of a subsidiary

	2001 HK\$	2000 HK\$
Net assets disposed of:		
Fixed assets	6,095,615	—
Accounts receivable and prepayments	3,996,821	—
Bank balances and cash	7,119,442	—
Accounts payable and accruals	(549,802)	—
Minority interests	(2,898,378)	—
	13,763,698	—
Realisation of goodwill	1,837,823	—
Gain on disposal	10,117,145	—
	25,718,666	—
Satisfied by		
Other investments	6,240,608	—
Cash	19,478,058	—

### (f) Analysis of the net cash inflow in respect of the disposal of a subsidiary

	2001 HK\$	2000 HK\$
Cash consideration	19,478,058	—
Bank balances and cash disposed	(7,119,442)	—
Net cash inflow in respect of the disposal of a subsidiary	12,358,616	—



## NOTES TO THE ACCOUNTS

### 25 BANK BALANCES AND BANKING FACILITIES

- (a) Certain fixed deposits of HK\$15 million (2000: HK\$13 million) as well as properties of the Group with an aggregate net book value of HK\$94,602,255 (2000: HK\$95,858,511) as at 31st December 2001 were pledged as securities against bank loans and general banking facilities amounting to HK\$120 million (2000: HK\$93 million) granted to the Group. At the balance sheet date, the amount of such facilities utilised was HK\$509,241 (2000: Nil).

A corporate guarantee was given by a minority shareholder of a subsidiary against a bank loan amounting to HK\$2,830,200 (2000: HK\$2,790,000, as restated) at the balance sheet date.

- (b) Included in the bank balances and cash of the Group are Renminbi deposits and cash in the Chinese Mainland of HK\$39,812,748 (2000: HK\$28,351,833). Renminbi is not a freely convertible currency.

### 26 CONTINGENT LIABILITIES

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Guarantee for bank overdraft of a subsidiary	—	—	50,000,000	—
Guarantee for bank loans of a jointly controlled entity	—	70,122,000	—	70,122,000
	—	70,122,000	50,000,000	70,122,000
The Group's share of contingent liabilities of an associated company not included in the above is as follows:				
Guarantee for loans	16,959,961	15,309,575	—	—

# NOTES TO THE ACCOUNTS



## 27 COMMITMENTS

### (a) Capital commitments

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Contracted but not provided for	15,556,666	4,282,125	—	—
Authorised but not contracted for	—	1,236,000	—	—
	15,556,666	5,518,125	—	—
The Group's share of capital commitments of a jointly controlled entity and an associated company not included in the above is as follows:				
Contracted but not provided for	5,012,858	3,575,517	—	—

### (b) Commitments under operating leases

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

	Group		Company	
	2001 HK\$	Restated 2000 HK\$	2001 HK\$	2000 HK\$
Not later than one year	2,302,429	3,543,207	93,000	551,200
Later than one year but not later than five years	659,129	1,845,056	—	—
	2,961,558	5,388,263	93,000	551,200





## NOTES TO THE ACCOUNTS

### 28 SUBSEQUENT EVENTS

- (a) First Shanghai Hygienic Products Limited ("FSHPL") is a wholly owned subsidiary of the Group and is holding 30% equity interest in a PRC joint venture company, Goodbaby Paragon Hygienic Products Co. Ltd. ("GPHP") at 31st December 2001. Subsequent to the year end, FSHPL acquired an additional 20% equity interest in GPHP from one of the shareholders of GPHP at a nominal consideration of US\$1. The net assets value of 20% equity interest in GPHP at the acquisition date is approximately HK\$76 million.
- (b) In February 2002, a wholly owned subsidiary, First Shanghai Hotel Group Limited ("FSHGL"), entered into a joint venture contract with two unrelated PRC companies ("PRC partners") to establish a PRC joint venture company, Kunshan Traders Park Hotel Co. Ltd. ("KTPH"). KTPH will develop and operate a four-star hotel in Kunshan Economy & Technology Development District in Jiangsu Province, PRC. Total contribution from FSHGL to the registered capital of KTPH will be US\$7.8 million, representing 65% of the total registered capital, with an amount of US\$1.17 million payable within three months of the issuance of business licence to KTPH. The remaining contribution of US\$6.63 million is payable on or before 28th February 2004.

### 29 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 19th April 2002.