These notes form an integral part of the financial statements.

1. PRINCIPAL ACTIVITIES

The principal activities of the Company comprise those of investment holding and the provision of consultancy services.

The principal activities of its subsidiaries comprise those of investment holding, e-business enablement, provision of hospitality solutions, hotel management services, reservation services, insurance sales and risk management services, accounting and payroll services and procurement services.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 6 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of Preparation of the Financial Statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(i)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Fixed Assets and Depreciation

(i) Fixed assets are carried in the balance sheets at cost less accumulated depreciation and impairment losses (see note 2(i)).

(ii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

(iv) Depreciation is provided on a straight-line basis so as to write off fixed assets over their estimated useful lives as follows:

Plant, machinery and equipment (comprising principally furniture and fixtures and office equipment)	-	6% to 33.33%
Motor vehicles	-	20%

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

- For acquisitions before 1 January 2001, positive goodwill is written off directly to reserves and is reduced by impairment losses (see note 2(i)); and

- For acquisitions on or after 1 January 2001, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 2(i)).

Negative goodwill arising on consolidation represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

- For acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and

- For acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account. Any negative goodwill not yet recognised in the consolidated profit and loss account is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Goodwill (Cont'd)

On disposal of a subsidiary, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

(f) Other Investments in Securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries are as follows:

(i) Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.

(ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the forseeable future.

(iii) All other securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise. Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin.

(iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

(g) Intangible Assets (other than Goodwill)

(i) Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 2(i)).

(ii) Subsequent expenditure on an intangible asset after its purchase is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

(iii) Amortisation of intangible assets, comprising trademarks, is charged to the profit and loss account on a straight-line basis over the assets' estimated useful lives of ten years.

(h) Leased Assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Leased Assets (Cont'd)

(i) Finance Leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the shorter of the period of the leases or the estimated useful lives of the assets as set out in note 2(d) above. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(i). Finance charges implicit in the lease payments are charged to the profit and loss account over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) Operating Leases

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(i) Impairment of Assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets;
- investments in subsidiaries (except for those accounted for at fair value under note 2(c));
- other investments in securities (except for those accounted for at fair value under note 2(f)); and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(j) Deferred Taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(k) Revenue Recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Revenue arising from hotel management services, reservation distribution, purchasing technology outsourcing and accounting and payroll services is recognised when the relevant services are delivered.

(ii) Revenue arising from insurance and risk management services, where the Group acts as an agent and does not assume underwriting risk, is recognised based on the net amount retained or the amount billed to the customer less the amount paid to suppliers.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Revenue Recognition (Cont'd)

(iii) Revenue arising from insurance and risk management services, where the Group assumes underwriting risks, is recognised on a straight-line basis over the term of the insurance policy.

(iv) Interest income is accrued on a time-apportioned basis on the principal outstanding at the rate applicable.

(v) Dividend income from investments is recognised when the shareholder's right to receive payment is established.

(l) Foreign Currency Translation

(i) Monetary assets and liabilities in foreign currencies are translated into the reporting currency of the Company and its subsidiaries at rates of exchange ruling at the balance sheet date and transactions in foreign currencies during the year are translated at rates ruling on the transaction dates. Exchange gains and losses are dealt with in the profit and loss account.

(ii) Assets and liabilities of overseas subsidiaries are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date while the results are translated into Hong Kong dollars at the average exchange rates for the year. Exchange differences arising thereon are taken directly to reserves.

(m) Software Costs

Cost incurred to develop or obtain software that allows for access or conversion of old data by new systems is capitalised. Software purchased from third parties is capitalised if the related software under development has reached technological feasibility or if there are alternative future uses for the purchased software. Technological feasibility is attained when software products reach Beta release. These capitalised software costs will be amortised over the lesser of three years or the useful life of the software.

Costs incurred prior to the establishment of technological feasibility are charged to product development expense. Costs incurred in connection with business process reengineering are expensed as incurred.

In addition, costs of materials, consultant, interest and payroll related costs for employees incurred in developing internal use computer software is capitalised once technological feasibility is attained. Costs incurred prior to the establishment of technological feasibility are charged to general and administrative expense.

(n) Employee Benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to defined contribution schemes are charged to the profit and loss account as incurred.

(iii) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(p) Cash Equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include trade receivables and fixed assets. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, corporate and financing expenses and minority interests.

(r) Liability for Unpaid Insurance Claims

Liability for unpaid insurance claims are based on claims filed and estimates for claims incurred but not reported.

3. CHANGES IN ACCOUNTING POLICIES

For the financial year ended 31 December 2002, seven new or revised accounting standards were adopted.

The adoption of SSAP 1 – Presentation of Financial Statements, SSAP 11 – Foreign Currency Translation, SSAP 15 – Cash Flow Statements, SSAP 25 – Interim Financial Reporting, SSAP 26 – Segment Reporting, SSAP 33 – Discontinuing Operations and SSAP 34 – Employee Benefits did not give rise to any adjustments to the opening balance of unappropriated profits of the prior and current periods.

4. TURNOVER

Turnover of the Group comprises revenue from hospitality-related operations and interest income.

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2002 HK$'000	2001 HK$'000
Hospitality related services	**64,778**	76,372
Investment holding activities	**13,033**	21,825
	77,811	98,197

5. OTHER NET INCOME/(EXPENSES)

	The Group	
	2002 HK$'000	**2001 HK$'000**
Exchange gain/(loss) (net)	**29,193**	(12,814)
Profit on sale of fixed assets (net)	**604**	714
Net unrealised loss on stating securities at fair value	**-**	(4,515)
Others	**408**	358
	30,205	(16,257)

6. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Investment holding: The activities of investing.

Hospitality related services: The provision of e-business enablement, hospitality solutions, hotel management services, hotel reservation services, insurance sales and risk management services, accounting and payroll services and procurement services.

6. SEGMENT REPORTING (Cont'd)

	Investment Holding		Hospitality Related Services		Consolidated	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Revenue from external customers	**13,033**	21,825	**64,778**	76,372	**77,811**	98,197
Profit/(Loss) from operations	**34,230**	(13,379)	**(15,517)**	(24,726)	**18,713**	(38,105)
Finance costs					**-**	(16)
Taxation					**(376)**	(170)
Minority interests					**2,152**	2,626
Profit/(Loss) attributable to shareholders					**20,489**	(35,665)
Depreciation and amortisation for the year	**1,129**	1,713	**2,314**	1,949	**3,443**	3,662
Impairment loss for the year	**-**	-	**436**	2,812	**436**	2,812
Significant non-cash expenses (other than depreciation and amortisation)	**-**	5,474	**-**	-	**-**	5,474
Segment assets	**556,916**	556,704	**52,650**	45,373	**609,566**	602,077
Segment liabilities	**6,104**	481	**21,468**	38,466	**27,572**	38,947
Capital expenditure incurred during the year	**3,203**	1,077	**1,239**	6,161	**4,442**	7,238

Geographical segments

The Group's investing activities are mainly carried out in Hong Kong and Singapore. The hospitality related services are carried out by the subsidiaries based in the United States.

In presenting information on the basis of geographical segments, segment revenue, in relation to investment holding is based on the geographical location of investments and segment revenue in relation to hospitality related services is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		United States		Singapore	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Revenue from external customers	**10,749**	15,112	**62,645**	76,372	**4,417**	6,713
Segment assets	**410,425**	383,740	**51,453**	45,373	**147,688**	172,964
Capital expenditure incurred during the year	**3,203**	1,077	**1,239**	6,161	**-**	-

7. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

	The Group	
	2002	**2001**
	HK$'000	**HK$'000**
Profit/(Loss) from ordinary activities before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Interest expense on leases and bank loans	**-**	16
(b) Staff costs		
Contributions to defined contribution plan	**830**	5,683
Salaries, wages and other benefits	**33,013**	43,136
	33,843	48,819
(c) Other items		
Amortisation of intangible assets	**62**	94
Auditors' remuneration		
- current year	**721**	975
- (over)/underprovision in respect of prior year	**(86)**	130
Depreciation of fixed assets	**3,381**	3,568
Fixed assets written off	**763**	959
Allowance for doubtful receivables (trade)	**1,240**	62
Interest income		
- bank	**(13,266)**	(21,992)
- affiliated companies	**(741)**	(905)
Operating lease charges: minimum lease payments		
- property rentals	**1,687**	3,498
Impairment losses		
- investment securities	**436**	-
- intangible assets	**-**	335
- fixed assets	**-**	2,477
Restructuring expense*	**13,460**	-

*Restructuring expense relates to cost associated with the scaling down of the Group's operations in the United States in relation to hospitality related services.

8. TAXATION

(a) Taxation in the consolidated profit and loss account represents:

	The Group	
	2002	**2001**
	HK$'000	**HK$'000**
Current		
Hong Kong - current year	**938**	-
- overprovision in respect of prior years (net)	**(57)**	-
Overseas - under/(over)provision in respect of prior years (net)	**22**	(54)
	903	(54)
Deferred (Note 21)		
Hong Kong - current year	**(527)**	(460)
- underprovision in respect of prior year	**-**	987
Overseas - current year	**-**	(303)
	(527)	224
	376	170

(b) Taxation in the balance sheet represents:

	The Group		The Company	
	2002	**2001**	**2002**	**2001**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Provision for Hong Kong Profits Tax for the year	**938**	-	**938**	-
Balance of Hong Kong Profits Tax provision relating to prior years	**102**	102	**87**	87
Balance of Profits Tax provision relating to overseas subsidiaries	**23**	-	**-**	-
	1,063	102	**1,025**	87

The provision for Hong Kong profits tax is calculated at 16% (2001: 16%) of the estimated assessable profits for the year ended 31 December 2002. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

The Company is exempted from taxation in the Cayman Islands for a period of twenty years from 1989 under the provisions of Section 6 of the Tax Concessions Law (Revised) of the Cayman Islands.

9. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Profit after taxation to the extent of HK$20,225,000 (2001: loss after taxation of HK$34,927,000) has been dealt with in the Company's financial statements.

10. DIVIDENDS

(a) Dividends attributable to the year

	2002 HK$'000	2001 HK$'000
Final dividend proposed after the balance sheet date of HK 2 cents per share (2001: nil cents per share)	**7,663**	-

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2002 HK$'000	2001 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of nil cents per share (2001: 2 cents per share) - by cash	**-**	7,663

11. EARNINGS/(LOSS) PER SHARE

(a) Basic Earnings/(Loss) Per Share

In the current financial year, the calculation of basic earnings/(loss) per share is based on profit after taxation attributable to shareholders of HK$20,489,000 (2001: loss of HK$35,665,000) and 383,125,524 ordinary shares in issue during the year.

(b) Diluted Earnings/(Loss) Per Share

Diluted earnings/(loss) per share is not applicable as there are no dilutive potential ordinary shares during the financial year.

12. FIXED ASSETS

(a) The Group

	Plant, Machinery & Equipment	Motor Vehicles	Total
	HK$'000	HK$'000	HK$'000
Cost			
At 1 January 2002	11,826	5,734	17,560
Exchange difference	69	348	417
Additions	1,242	3,200	4,442
Disposals/write-offs	(1,290)	(3,651)	(4,941)
At 31 December 2002	11,847	5,631	17,478
Depreciation and Impairment Losses			
At 1 January 2002	6,649	3,060	9,709
Exchange difference	14	168	182
Charge for the year	2,487	894	3,381
Disposals/write-offs	(524)	(2,747)	(3,271)
At 31 December 2002	8,626	1,375	10,001
Net Book Value			
At 31 December 2002	3,221	4,256	7,477
At 31 December 2001	5,177	2,674	7,851

(b) The Company

	Plant, Machinery & Equipment	Motor Vehicles	Total
	HK$'000	HK$'000	HK$'000
Cost			
At 1 January 2002	2,869	5,734	8,603
Exchange difference	67	348	415
Additions	3	3,200	3,203
Disposals/write-offs	(4)	(3,651)	(3,655)
At 31 December 2002	2,935	5,631	8,566
Accumulated Depreciation			
At 1 January 2002	2,031	3,060	5,091
Exchange difference	14	168	182
Charge for the year	234	894	1,128
Disposals/write-offs	(1)	(2,747)	(2,748)
At 31 December 2002	2,278	1,375	3,653
Net Book Value			
At 31 December 2002	657	4,256	4,913
At 31 December 2001	838	2,674	3,512

13. INTANGIBLE ASSETS

The Group

	Trademarks	
	2002	**2001**
	HK$'000	**HK$'000**
Cost		
At 1 January	**935**	-
Expenditure during the year	**94**	935
At 31 December	**1,029**	935
Amortisation and Impairment Losses		
At 1 January	**429**	-
Charge for the year	**62**	94
Impairment losses	**-**	335
At 31 December	**491**	429
Net Book Value		
At 31 December	**538**	506

The amortisation charge for the year is included in "administrative expenses" in the consolidated profit and loss account.

14. INTERESTS IN SUBSIDIARIES

		The Company	
	Note	**2002**	**2001**
		HK$'000	**HK$'000**
Long-Term:			
Unlisted shares, at cost		**220,860**	220,860
Less:			
Impairment losses			
At 1 January		**68,004**	53,206
Charge to profit and loss account		**12,115**	14,798
At 31 December		**80,119**	68,004
		140,741	152,856
Non-current:			
Loan owing to a subsidiary		**(11,902)**	(11,902)
Current:			
Amounts owing by subsidiaries	18	**12,521**	12,577

The amounts owing by/(to) subsidiaries are interest-free, unsecured and have no fixed terms of repayment.

14. INTERESTS IN SUBSIDIARIES (Cont'd)

Details of the Group's significant interests in subsidiaries as at 31 December 2002 are as follows:

Company Name/ Principal Activities	Place of Incorporation and Operation	Particulars of Issued and Paid Up Capital	Group's Effective Holding %	Proportion of Equity Interest Held by Company %	Proportion of Equity Interest Held by Subsidiary %
Principal direct and indirect subsidiaries					
SWAN Holdings Limited (Investment holding)	Bermuda	33,345,333 shares of US$1 each	85	85	-
SWAN Inc. (Investment holding and provision of hospitality related services)	United States of America	10,000,000 common stocks of US$0.01 each	85	-	100
Sceptre Hospitality Resources Inc. (Provision of reservation system services)	United States of America	100 common stocks of US$0.01 each	85	-	100
SWAN Risk Services Limited (Provision of risk management services)	Bermuda	120,000 shares of US$1 each	85	-	100

SWAN Risk Services Limited ("SRS") is required to comply with certain minimum liquidity ratio as stipulated by the Insurance Act 1978 of Bermuda. As at 31 December 2002, SRS has breached the minimum liquidity ratio by an amount of approximately HK$91,000. SRS is currently in the process of applying to the Bermuda Monetary Authority ("BMA") for inclusion of certain assets as approved assets for the purposes of computation of the minimum liquidity ratio. If approval from BMA is obtained, the breach as at 31 December 2002 will be rectified. The directors are of the view that approval from BMA is likely to be obtained.

15. AFFILIATED COMPANIES

	The Group		The Company	
	2002	**2001**	**2002**	**2001**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Amounts owing by:				
Holding company				
- interest free	**-**	1,466	**-**	1,466
Other affiliated companies				
- interest bearing	**7,388**	-	**-**	-
- interest free	**3,492**	16,450	**468**	612
	10,880	17,916	**468**	2,078
Amounts owing to:				
Other affiliated companies				
- interest free	**68**	2,589	**68**	2,589

The amounts owing by/(to) affiliated companies are unsecured and have no fixed terms of repayment. In respect of interest bearing amounts, interest was charged at rate of 8.5% (2001: Nil%) per annum.

The Directors consider the ultimate holding company at 31 December 2002 to be Hong Leong Investment Holdings Pte. Ltd., incorporated in the Republic of Singapore. Other affiliated companies comprise subsidiaries of the holding company.

16. OTHER FINANCIAL ASSETS (NON-CURRENT)

	The Group	
	2002	**2001**
	HK$'000	**HK$'000**
Investment securities		
- unlisted	**662**	662
Impairment losses:		
At 1 January	**-**	-
Charge to profit and loss account	**436**	-
	436	-
At 31 December	**226**	662

17. OTHER FINANCIAL ASSETS (CURRENT)

	The Group		The Company	
	2002	**2001**	**2002**	**2001**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Other investments				
Equity securities				
- listed outside Hong Kong	**18,918**	18,918	**18,918**	18,918
Other securities				
- unlisted	**-**	38,960	**-**	38,960
	18,918	57,878	**18,918**	57,878
Market value at 31 December:				
Equity securities				
- listed outside Hong Kong	**18,918**	18,918	**18,918**	18,918

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2002	**2001**	**2002**	**2001**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Trade receivables less allowance (Note 19)	**9,421**	6,722	**770**	163
Other receivables, deposits and prepayments	**8,734**	8,646	**1,248**	7,853
Amounts owing by subsidiaries (Note 14)	**-**	-	**12,521**	12,577
Amounts owing by affiliated companies (Note 15)	**10,880**	17,916	**468**	2,078
	29,035	33,284	**15,007**	22,671

All of the trade and other receivables are expected to be recovered within one year.

19. TRADE RECEIVABLES

	The Group		The Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**10,185**	6,784	770	163
Less:				
Allowance for doubtful receivables				
At 1 January	**(62)**	-	**-**	-
Allowance made during the year	**(1,240)**	(62)	**-**	-
Allowance utilised during the year	**538**	-	**-**	-
At 31 December	**(764)**	(62)	**-**	-
	9,421	6,722	**770**	163

The aging analysis of trade receivables (net of allowance for doubtful receivables) is as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**7,176**	6,559	**333**	-
1 to 3 months overdue	**1,333**	163	**437**	163
More than 3 months overdue but less than 12 months overdue	**912**	-	**-**	-
	9,421	6,722	**770**	163

Debts are due within 1 month from the date of billing. However, debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

20. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**5,775**	4,024	**-**	12
Other payables and accrued charges	**21,729**	32,334	**5,843**	8,237
Amount owing to affiliated companies (Note 15)	**68**	2,589	**68**	2,589
	27,572	38,947	**5,911**	10,838

All of the trade and other payables are expected to be settled within one year.

All trade payables are due within 1 month or on demand.

21. DEFERRED TAXATION

(a) Movements on deferred taxation comprise:

	The Group		The Company	
	2002	**2001**	**2002**	**2001**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
At 1 January	**527**	324	**527**	324
Less:				
Exchange difference	**-**	(21)	**-**	(21)
Transfer (to)/from profit and loss account (Note 8)	**(527)**	224	**(527)**	224
At 31 December	**-**	527	**-**	527

(b) Major components of deferred tax of the Group and the Company are set out below:

	The Group		The Company	
	2002	**2001**	**2002**	**2001**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Deferred tax liability in respect of timing differences relating to unrealised gain on foreign exchange swap transaction	**-**	527	**-**	527

There are no significant deferred tax liabilities not provided for.

22. SHARE CAPITAL

	The Company	
	2002	**2001**
	HK$'000	**HK$'000**
Authorised:		
2,720,615,042 (2001: 2,720,615,042) ordinary shares of HK$1.00 each	**2,720,615**	2,720,615
Issued and fully paid:		
383,125,524 (2001: 383,125,524) ordinary shares of HK$1.00 each	**383,126**	383,126

An Executive Share Option Scheme (the "1997 Scheme") for executives and/or employees (including the executive directors) of the Company and its subsidiaries was adopted by the Company on 11 June 1997. Under the 1997 Scheme, the maximum number of shares that may be granted by the Directors shall not exceed 10% of the share capital of the Company in issue on the date of granting any option. The subscription price of shares under the Scheme will be equivalent to 80% of the average of the last dealt prices of shares on the Hong Kong Stock Exchange on the five trading days immediately preceding the date of grant of the option or the nominal value of the shares, whichever is greater.

Throughout the financial year, no share option was granted and outstanding.

23. RESERVES

	Exchange Reserve HK$'000	Revenue Reserve HK$'000	Total HK$'000
The Group			
At 1 January 2001	286	195,647	195,933
Dividends approved in respect of the previous financial year (Note 10(b))	-	(7,663)	(7,663)
Loss for the year	-	(35,665)	(35,665)
Exchange differences on translation of financial statements of foreign subsidiaries	(198)	-	(198)
At 31 December 2001	88	152,319	152,407
Profit for the year	-	20,489	20,489
Exchange differences on translation of financial statements of foreign subsidiaries	75	-	75
At 31 December 2002	163	172,808	172,971

	Revenue Reserve HK$'000	Total HK$'000
The Company		
At 1 January 2001	185,274	185,274
Dividends approved in respect of the previous financial year (Note 10(b))	(7,663)	(7,663)
Loss for the year	(34,927)	(34,927)
At 31 December 2001	142,684	142,684
Profit for the year	20,225	20,225
At 31 December 2002	162,909	162,909

Under Cayman Islands law, the Company has reserves available for distribution to shareholders of HK$162,909,000 (2001: HK$142,684,000).

24. MATERIAL RELATED PARTY TRANSACTIONS

During the year, there were the following material related party transactions:

	The Group		The Company	
	2002	**2001**	**2002**	**2001**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Pricing determined on agreed terms :				
- rental expenses paid/ payable to affiliated companies	**-**	1,370	**-**	1,370
- sale of fixed assets to affiliated companies	**-**	1,020	**-**	1,020
- income received/ receivable from affiliated companies for rental of equipment	**-**	207	**-**	207
- interest income received/receivable from an affiliated company	**-**	433	**-**	433
- income from provision of hospitality and other related services	**27,029**	27,476	**780**	502
- income from provision of accounting services	**3,858**	3,898	**-**	-
- reimbursement of expenses rom affiliated companies	**2,331**	3,002	**-**	-
- others	**163**	202	**163**	202

25. COMMITMENTS

As at 31 December 2002, the Group is committed to purchase foreign currencies totalling HK$Nil (2001: HK$285,460,000) and sell foreign currencies totalling HK$Nil (2001: HK$284,626,000) under certain forward foreign exchange contracts entered into in the normal course of business.

26. DIRECTORS' REMUNERATION

(i) The aggregate amount of the Directors' and five highest paid individuals' emoluments for the year are as follows:

	Directors		Employees	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fees	**2,332**	2,379	**-**	-
Other emoluments:				
- Basic salaries, allowances and other benefits in kind	**2,164**	2,194	**706**	-
- Pension contributions	**64**	50	**19**	-
- Discretionary bonus	**263**	261	**59**	-
	4,823	4,884	**784**	-

Of the five individuals with the highest emoluments, four (2001: five) are directors and one is an employee (2001: nil).

Included in the fees of HK$2,332,000 (2001: HK$2,379,000) above, are fees of HK$582,000 (2001: HK$629,000) paid to independent non-executive Directors during the year.

(ii) The number of Directors and the employees included in the five highest paid individuals whose emoluments fall within the following bands are as follows:

	Number of Directors		Employees	
	2002	2001	**2002**	2001
HK$Nil - HK$1,000,000	**9**	10	**1**	-
HK$1,000,001 - HK$1,500,000	**-**	-	**-**	-
HK$1,500,001 - HK$2,000,000	**1**	1	**-**	-
HK$2,000,001 - HK$2,500,000	**-**	-	**-**	-
HK$2,500,001 - HK$3,000,000	**-**	-	**-**	-
HK$3,000,001 - HK$3,500,000	**-**	-	**-**	-
	10	11	**1**	-

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

27. PENSION SCHEMES

In United States, the Group operates a defined contribution scheme in which the Group matches a portion of each participating employee's contribution, subject to certain limits.

The total pension cost charged to the profit and loss account of the Group was HK$830,000 (2001: HK$5,683,000).

28. COMPARATIVE FIGURES

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised 2001) "Cash flow statements". As a result, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities has been included on the face of the consolidated cash flow statement. Comparative figures have been reclassified to conform with the current year's presentation.