

# Notes to the Financial Statements

## 2020 Annual Report

For the year ended December 31, 2002

### 1. General information

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is engaged in the import, marketing and distribution of air-conditioning products, audio-visual and electrical products and cars and car accessories.

### 2. Adoption of statements of standard accounting practice

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP"s) issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity. However, it has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

#### Foreign currencies

The revisions to SSAP 11 Foreign Currency Translation have eliminated the choice of translating the profit and loss account of overseas subsidiaries at the closing rate for the period. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

#### Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate headings, are classified as investing/financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

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## 2. Adoption of statements of standard accounting practice *(continued)*

### Employee benefits

In the current year, the Group has adopted SSAP 34 Employee Benefits, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group's participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

## 3. Significant accounting policies

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

### Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### Interests in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

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### 3. Significant accounting policies (continued)

#### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition. Goodwill arising on acquisition prior to January 1, 2001 continues to be held in reserves, and will be charged to the profit and loss account at the time of disposal of the relevant subsidiary or associate or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after January 1, 2001 is capitalised and amortised on a straight-line basis over its estimated useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

#### Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Maintenance service income is recognised when services are rendered.

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

Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

Commission income is recognised when the relevant services are rendered.

Finance lease interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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## 3. Significant accounting policies (continued)

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the terms of the relevant leases.

#### *The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs are charged to the profit and loss account over the terms of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the terms of the relevant leases.

### Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the profit and loss account.

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 3. Significant accounting policies (continued)

### Foreign currencies (continued)

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

### Retirement benefit costs

Payments to defined contribution retirement schemes are charged as an expense as they fall due.

### Taxation

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

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided so as to write off the cost of items or valuation of property, plant and equipment, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Land held under medium-term lease	Over the unexpired term of lease
Buildings on land held under medium-term lease	2.5-5%
Leasehold improvements	20%
Furniture, fixtures and equipment	10-20%
Machinery and tools	20-33 $\frac{1}{3}$ %
Motor vehicles	20-25%

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 3. Significant accounting policies (continued)

### Property, plant and equipment (continued)

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

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

### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the decrease over the balance on the investment property revaluation reserve is charged to the profit and loss account. Where a decrease has previously been charged to the profit and loss account and a revaluation increase subsequently arises, this increase is credited to the profit and loss account to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property disposed of is transferred to the profit and loss account.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

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### 3. Significant accounting policies *(continued)*

#### Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

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

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

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

#### Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant assets is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that other SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant assets is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under another SSAP.

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## 4. Turnover

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Sales of goods to customers, less returns, discounts and allowance	<b>537,342</b>	530,619
Maintenance service income	<b>35,051</b>	35,226
	<b>572,393</b>	565,845

## 5. Business and geographical segments

### Business segments

For management purposes, the Group is currently organised into five operating divisions: air-conditioning products, audio-visual and other electrical products, cars and car accessories, direct marketing and property investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Air-conditioning products	Distribution and installation of air-conditioning products
Audio-visual and other electrical products	Distribution of audio-visual equipment, including car audio, and home appliances
Cars and car accessories	Trading of cars and related accessories and provision of car repairing services
Direct marketing	Retailing of consumer electronic products and home appliances
Property investment	Rental of investment properties and properties held for sales



# Notes to the Financial Statements

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### 5. Business and geographical segments (continued)

#### Business segments (continued)

Segment information about these businesses is presented below.

#### 2002

	Air- conditioning products HK\$'000	Audio-visual and other electrical products HK\$'000	Cars and car accessories HK\$'000	Direct marketing HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Turnover</b>								
External sales	178,873	115,509	214,710	63,301	-	-	-	572,393
Inter-segment sales	3,597	12,410	-	-	-	-	(16,007)	-
Total turnover	<u>182,470</u>	<u>127,919</u>	<u>214,710</u>	<u>63,301</u>	<u>-</u>	<u>-</u>	<u>(16,007)</u>	<u>572,393</u>
Inter-segment sales are charged at prevailing market rates.								
<b>Result</b>								
Segment result	<u>10,701</u>	<u>2,453</u>	<u>(270)</u>	<u>(6,127)</u>	<u>(5,129)</u>	<u>-</u>	<u>(390)</u>	1,238
Unallocated corporate expenses								<u>(10,299)</u>
Loss from operations								(9,061)
Finance costs								(10,481)
Net gain on disposal or liquidation of subsidiaries	-	27,719	-	-	-	-	-	27,719
Gain on disposal of an associate	10,892	-	-	-	-	-	-	10,892
Share of results of associates	3,836	(15,469)	-	-	-	83	-	(11,550)
Profit before taxation								7,519
Taxation								<u>(1,522)</u>
Profit after taxation								5,997
Minority interests								<u>12</u>
Profit attributable to shareholders								<u>6,009</u>

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## 5. Business and geographical segments (continued)

### Business segments (continued)

2002 (continued)

	Air- conditioning products HK\$'000	Audio-visual and other electrical products HK\$'000	Cars and car accessories HK\$'000	Direct marketing HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Consolidated balance sheet</b>								
<b>Assets</b>								
Segment assets	60,181	39,161	57,854	10,724	224,416	-	-	392,336
Interests in associates	-	115,533	-	-	-	-	-	115,533
Unallocated corporate assets								189,100
Consolidated total assets								<u>696,969</u>
<b>Liabilities</b>								
Segment liabilities	44,398	19,439	35,473	6,156	6,620	-	-	112,086
Unallocated corporate liabilities								238,936
Consolidated total liabilities								<u>351,022</u>
<b>Other information</b>								
Capital additions	133	396	3,034	280	95	2,707	-	6,645
Depreciation and amortisation	305	231	1,335	82	-	6,670	-	8,623

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## 5. Business and geographical segments (continued)

### Business segments (continued)

2001

	Air- conditioning products HK\$'000	Audio-visual and other electrical products HK\$'000	Cars and car accessories HK\$'000	Direct marketing HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Turnover</b>								
External sales	176,059	112,067	243,378	34,341	-	-	-	565,845
Inter-segment sales	7,230	4,871	-	326	-	-	(12,427)	-
Total turnover	<u>183,289</u>	<u>116,938</u>	<u>243,378</u>	<u>34,667</u>	<u>-</u>	<u>-</u>	<u>(12,427)</u>	<u>565,845</u>

Inter-segment sales are charged at prevailing market rates.

### Result

Segment result	<u>10,813</u>	<u>(29,588)</u>	<u>5,162</u>	<u>(2,177)</u>	<u>(9,955)</u>	<u>49</u>	<u>(389)</u>	<u>(26,085)</u>
Unallocated corporate expenses								<u>(50,395)</u>
Loss from operations								(76,480)
Finance costs								(16,923)
Impairment loss recognised in respect of goodwill	-	-	(2,789)	(670)	-	-	-	(3,459)
Net gain (loss) on disposal or liquidation of subsidiaries	-	3,419	124	-	-	(974)	-	2,569
Share of results of associates	812	(4,984)	-	-	-	167	-	<u>(4,005)</u>
Loss before taxation								(98,298)
Taxation								<u>(1,689)</u>
Loss after taxation								(99,987)
Minority interests								<u>479</u>
Loss attributable to shareholders								<u><u>(99,508)</u></u>

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## 5. Business and geographical segments (continued)

### Business segments (continued)

2001 (continued)

	Air- conditioning products HK\$'000	Audio-visual and other electrical products HK\$'000	Cars and car accessories HK\$'000	Direct marketing HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Consolidated balance sheet</b>								
<b>Assets</b>								
Segment assets	47,689	37,374	58,631	8,868	228,985	-	-	381,547
Interests in associates	48,610	141,466	-	-	-	-	-	190,076
Unallocated corporate assets								197,231
Consolidated total assets								<u>768,854</u>
<b>Liabilities</b>								
Segment liabilities	39,899	13,911	36,825	8,729	3,877	-	-	103,241
Unallocated corporate liabilities								371,168
Consolidated total liabilities								<u>474,409</u>
<b>Other information</b>								
Capital additions	153	1,052	15,198	146	-	1,469	(130)	17,888
Depreciation and amortisation	490	5,344	909	48	-	9,767	-	16,558
Impairment losses recognised in respect of intangible assets	-	20,008	-	-	-	-	-	20,008
Impairment losses recognised in respect of goodwill	-	-	2,789	670	-	-	-	3,459

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 5. Business and geographical segments (continued)

### Geographical segments

The Group's operations are mainly located in Hong Kong, Singapore, Malaysia, The People's Republic of China (other than Hong Kong and Macau) (the "PRC") and Macau. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market		Contribution to operating results	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	<b>433,155</b>	437,386	<b>(2,984)</b>	(11,603)
Singapore	<b>54,105</b>	40,315	<b>917</b>	247
Malaysia	<b>18,423</b>	15,978	<b>1,163</b>	(2,434)
PRC	<b>34,087</b>	28,267	<b>(13,533)</b>	(28,220)
Macau	<b>30,440</b>	31,726	<b>1,137</b>	1,386
Others	<b>2,183</b>	12,173	<b>41</b>	(198)
	<b><u>572,393</u></b>	<u>565,845</u>	<b><u>(13,259)</u></b>	<u>(40,822)</u>
Other operating revenue			<b>14,497</b>	14,737
Unallocated corporate expenses			<b>(10,299)</b>	(50,395)
Loss from operations			<b><u>(9,061)</u></b>	<u>(76,480)</u>

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 5. Business and geographical segments (continued)

### Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	410,339	414,033	6,022	17,468
Singapore	22,519	20,824	134	30
Malaysia	7,212	6,727	271	28
PRC	256,160	326,229	218	355
Macau	739	1,041	-	7
	<b>696,969</b>	<b>768,854</b>	<b>6,645</b>	<b>17,888</b>

## 6. Other operating revenue

	2002 HK\$'000	2001 HK\$'000
Rental income	11,615	11,834
Commission income	2,862	2,854
Finance lease interest income	20	49
	<b>14,497</b>	<b>14,737</b>

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#### 7. Investment income

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Interest income from bank deposits	<b>42</b>	136
Interest income from trade and other receivables	<b>79</b>	12
Dividend income from listed equity securities	<b>-</b>	1
Dividend income from unlisted equity shares	<b>267</b>	-
	<b>388</b>	149

#### 8. Loss from operations

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Loss from operations has been arrived at after charging:		
Amortisation of intangible assets included in administrative expenses	<b>-</b>	1,539
Auditors' remuneration	<b>896</b>	936
Depreciation of:		
Owned assets	<b>8,441</b>	14,753
Assets held under finance leases	<b>182</b>	266
Impairment loss recognised in respect of investment securities	<b>-</b>	338
Loss on disposal of property, plant and equipment	<b>-</b>	7,852
Staff costs, including Directors' emoluments	<b>65,927</b>	79,237
Unrealised holding loss of other investments	<b>111</b>	-
Write-down of inventories to their net realisable value	<b>578</b>	3,036
Write-down of properties held for sale to net realisable value	<b>6,000</b>	10,600
and crediting:		
Gain on disposal of property, plant and equipment	<b>432</b>	-

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## 9. Finance costs

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Interest on:		
Bank loans, trust receipts and overdrafts wholly repayable within five years	<b>5,099</b>	6,434
Bank loans wholly repayable after five years	-	2,699
Other loans wholly repayable within five years	<b>712</b>	5,286
Other loans wholly repayable after five years	<b>4,268</b>	2,099
	<b>10,079</b>	16,518
Finance lease charges	<b>24</b>	47
Bank charges	<b>378</b>	358
	<b>10,481</b>	16,923

## 10. Net gain on disposal or liquidation of subsidiaries

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Gain upon disposal of subsidiaries	-	3,543
Gain (loss) upon liquidation of subsidiaries	<b>27,719</b>	(974)
	<b>27,719</b>	2,569



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## 11. Directors' and employees' emoluments

### (a) Directors' emoluments

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Fees:		
Executive Directors	-	-
Non-executive Directors	<b>170</b>	153
	<b>170</b>	153
Other emoluments:		
Salaries and other benefits	<b>6,529</b>	7,986
Retirement benefits scheme contributions	<b>35</b>	33
	<b>6,564</b>	8,019
	<b>6,734</b>	8,172

Fees paid to non-executive Directors include HK\$140,000 (2001: HK\$123,000) paid to independent non-executive Directors.

The Directors' emoluments were within the following bands:

HK\$	<b>2002</b> <b>Number of</b> <b>Directors</b>	2001 Number of Directors
Nil - 1,000,000	<b>6</b>	4
1,000,001 - 1,500,000	-	1
1,500,001 - 2,000,000	-	2
2,000,001 - 2,500,000	<b>1</b>	-
3,000,001 - 3,500,000	<b>1</b>	1

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## 11. Directors' and employees' emoluments (continued)

### (b) Employees' emoluments

During the year, the five highest paid individuals included three Directors (2001 : four Directors), details of whose emoluments are set out in note 11(a) above. The emoluments of the remaining highest paid individuals were as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>2,591</b>	2,125
Retirement benefits scheme contributions	<b>24</b>	176
	<b><u>2,615</u></b>	<u>2,301</u>

The emoluments of the remaining highest paid individuals fell within the following bands:

	<b>2002</b>	2001
	<b>Number of employees</b>	Number of employees
HK\$		
Nil - 1,000,000	<b>1</b>	-
1,500,001 - 2,000,000	<b>1</b>	-
2,000,001 - 2,500,000	<b>-</b>	1
	<b><u>-</u></b>	<u>1</u>

## 12. Retirement benefit scheme

The Group operates a mandatory provident fund ("MPF") scheme for all qualifying employees of its Hong Kong subsidiaries. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The retirement benefit cost charged to the profit and loss account during the year amounted to HK\$1,891,000 (2001: HK\$2,623,000), which represents contributions payable to the fund by the Group at the rates specified in the MPF Ordinance.

For subsidiaries other than in Hong Kong, the contribution payable to the defined contribution schemes by the Group at rates specified in the rules of the schemes at the relevant jurisdiction. The contributions made by subsidiaries other than in Hong Kong during the year amounted to HK\$791,000 (2001: HK\$883,000).

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## 13. Taxation

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
The charge comprises:		
Tax for the year:		
Hong Kong Profits Tax	<b>400</b>	1,224
Overseas income tax	<b>167</b>	155
	<b>567</b>	1,379
Deferred taxation (note 32)	<b>4</b>	-
Taxation attributable to the Company and its subsidiaries	<b>571</b>	1,379
Share of taxation attributable to associates	<b>951</b>	310
	<b>1,522</b>	1,689

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Details of the deferred taxation, recognised and unrecognised in the financial statements, are set out in note 32.

## 14. Earnings (loss) per share

The calculation of the basic earnings (loss) per share is based on the profit attributable to shareholders of HK\$6,009,000 (2001: a loss of HK\$99,508,000) and on the weighted average number of 609,574,769 (2001: 165,359,210) ordinary shares in issue during the year. The weighted average number of ordinary shares for the purpose of basic earnings (loss) per share has been adjusted for the bonus issue, share consolidation and rights issue during the year.

No diluted earnings (loss) per share has been presented because the exercise price of the Company's outstanding share options was higher than the average market price for share for both years.

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## 15. Investment properties

	<b>Investment properties in Hong Kong held under medium-term leases</b>	<b>Investment properties outside Hong Kong held under medium- term leases</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
<b>The Group</b>			
At January 1, 2002	87,783	44,140	131,923
Deficit on revaluation	—	(130)	(130)
	<u>87,783</u>	<u>44,010</u>	<u>131,793</u>
At December 31, 2002	<u>87,783</u>	<u>44,010</u>	<u>131,793</u>

During the year, the Group entered into a sales and purchase agreement to dispose of certain of its investment properties situated outside Hong Kong at an agreed amount of approximately HK\$2,203,000. The disposal has not yet been completed at the balance sheet date. In the opinion of the Directors, these investment properties were carried at their realisable value, which approximate to their open market value at the balance sheet date. The remaining investment properties of the Group were revalued at December 31, 2002 by Centaline Surveyors Limited, independent professional valuers, on an open market value basis. The net deficit arising on revaluation amounting to HK\$130,000 (2001: HK\$11,189,000) has been charged to the profit and loss account.

The investment properties of the Group are rented out or available for rent under operating leases.

# Notes to the Financial Statements

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For the year ended December 31, 2002

### 16. Property, plant and equipment

The Group	Land and	Leasehold	Furniture,	Machinery	Motor	Total
	buildings in Hong Kong held under medium-term leases					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation</b>						
At January 1, 2002	210,486	18,957	49,006	8,051	9,304	295,804
Exchange difference	-	3	71	11	93	178
Additions	-	1,031	1,929	476	3,209	6,645
Liquidation of subsidiaries	-	-	(235)	(146)	(382)	(763)
Disposals	-	-	(288)	(156)	(3,478)	(3,922)
Reclassification	-	-	(461)	461	-	-
At December 31, 2002	210,486	19,991	50,022	8,697	8,746	297,942
Representing:						
At cost	198,426	19,991	50,022	8,697	8,746	285,882
At 1996 valuation	10,640	-	-	-	-	10,640
At 1999 valuation	1,420	-	-	-	-	1,420
At December 31, 2002	210,486	19,991	50,022	8,697	8,746	297,942
<b>Accumulated depreciation</b>						
At January 1, 2002	27,643	17,716	46,270	7,298	8,128	107,055
Exchange difference	-	1	68	10	67	146
Charge for the year	4,674	688	1,745	517	999	8,623
Liquidation of subsidiaries	-	-	(235)	(146)	(382)	(763)
Eliminated upon disposals	-	-	(207)	(157)	(3,115)	(3,479)
Reclassification	-	-	(381)	381	-	-
At December 31, 2002	32,317	18,405	47,260	7,903	5,697	111,582
<b>Net book value</b>						
At December 31, 2002	178,169	1,586	2,762	794	3,049	186,360
At December 31, 2001	182,843	1,241	2,736	753	1,176	188,749

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 16. Property, plant and equipment (continued)

The net book value of the Group's furniture, fixtures and equipment includes an amount of HK\$328,000 (2001 : HK\$486,000) in respect of assets held under finance leases.

If the land and buildings which are stated at valuation had not been revalued, they would have been included in the financial statements at historical cost less accumulated depreciation of HK\$11,459,000 (2001: HK\$11,751,000).

The Group has pledged land and buildings having a net book value of approximately HK\$3,607,000 to secure loans advanced from a supplier to the Group.

<b>The Company</b>	<b>Leasehold improvements</b>	<b>Furniture, fixtures and equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>				
At January 1, 2002	6,606	21,531	2,385	30,522
Additions	—	148	680	828
At December 31, 2002	6,606	21,679	3,065	31,350
<b>Accumulated depreciation</b>				
At January 1, 2002	6,263	20,600	1,620	28,483
Charge for the year	188	815	413	1,416
At December 31, 2002	6,451	21,415	2,033	29,899
<b>Net book value</b>				
At December 31, 2002	155	264	1,032	1,451
At December 31, 2001	343	931	765	2,039

The net book value of the Company's furniture, fixtures and equipment included an amount of HK\$Nil (2001: HK\$24,000) in respect of assets held under finance leases.

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 17. Investments in subsidiaries

	<b>The Company</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>293,504</b>	293,504

Particulars of the Company's principal subsidiaries at December 31, 2002 are shown in note 42.

## 18. Interests in associates

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>115,533</b>	133,622
Amounts due from associates	<b>-</b>	56,454
	<b>115,533</b>	190,076

Particulars of the Group's principal associate at December 31, 2002 are shown in note 43.

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 18. Interests in associates (continued)

The following details have been extracted from the audited financial statements of the Group's associate:

	<b>Jin Ling Electrical Company Limited</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<b>Operating results</b>		
Turnover	<b>458,801</b>	401,099
Depreciation	<b>17,556</b>	17,595
Loss before taxation	<b>(23,266)</b>	(8,344)
Loss before taxation attributable to the Group	<b>(11,633)</b>	(4,172)
<b>Financial position</b>		
Non-current assets	<b>222,840</b>	383,259
Current assets	<b>351,409</b>	312,876
Current liabilities	<b>(323,103)</b>	(293,906)
Non-current liabilities	<b>(20,135)</b>	(134,986)
Shareholders' funds	<b>231,011</b>	267,243
Shareholders' funds attributable to the Group	<b>115,506</b>	133,622

## 19. Investment securities

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Unlisted equity shares, at cost	<b>75</b>	75
Club debentures, at cost less impairment loss	<b>627</b>	1,372
	<b>702</b>	1,447

In the opinion of the Directors, investment securities are worth at least their carrying values.



# Notes to the Financial Statements

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For the year ended December 31, 2002

## 20. Inventories

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Finished goods	<b>84,234</b>	74,693
Spare parts	<b>12,206</b>	11,176
	<b>96,440</b>	85,869

Included above are finished goods of HK\$15,692,000 (2001: HK\$22,225,000) and spare parts of HK\$2,684,000 (2001: HK\$380,000), which are carried at net realisable value.

## 21. Trade and other receivables

### The Group

The Group allows an average credit period of 30 to 90 days to its customers. The aged analysis of trade receivables is as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>18,608</b>	20,403
Over 30 days	<b>9,503</b>	11,131
Over 60 days	<b>1,289</b>	498
Over 90 days	<b>2,108</b>	2,236
Over 1 year	<b>1,370</b>	753
Total trade receivables	<b>32,878</b>	35,021
Deposits, prepayments and other receivables	<b>26,415</b>	24,247
	<b>59,293</b>	59,268

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 22. Finance lease receivable

### The Group

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amount receivable under finance lease:				
Within one year	-	376	-	355
Less: unearned finance income	-	(21)	-	N/A
Present value of minimum lease payments receivable	<u>-</u>	<u>355</u>	<u>-</u>	<u>355</u>
Analysed as:				
Current finance lease receivable (recoverable within one year)			<u>-</u>	<u>355</u>

The Group entered into finance leasing arrangements for certain of its equipment. The terms of finance lease entered into were five years. The interest rate inherent in the lease was fixed at the contract date for the lease terms. The interest rate on finance lease receivable at December 31, 2001 was 6% per annum. The finance lease arrangements were completed during the year.

# Notes to the Financial Statements

## Annual Report

For the year ended December 31, 2002

### 23. Amounts due from related parties

Details of the amounts due from related parties are as follows:

Name of related party	The Group			The Company		
	Balance	Balance	Maximum	Balance	Balance	Maximum
	at	at	amount	at	at	amount
31.12.2002	1.1.2002	during the year	31.12.2002	1.1.2002	during the year	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Mr. Herbert ADAMCZYK (note (1))	2,082	-	2,082	-	-	-
Panasa (Malaysia) Sdn. Bhd. (note (2))	248	-	248	-	-	-
Best & Original Production Limited (note (2))	-	2,015	2,015	-	1,134	1,134
B & O Web Studio Limited (note (2))	-	82	82	-	25	25
	<u>2,330</u>	<u>2,097</u>		<u>-</u>	<u>1,159</u>	

Notes:

- (1) The amount is unsecured, bears interest at the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited and has no fixed terms of repayment.

Mr. Herbert ADAMCZYK is a Director of the Company's subsidiaries.

- (2) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The related companies are controlled by Directors of the Company.

### 24. Other investments

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Listed equity securities	<u>73</u>	<u>184</u>	<u>36</u>	<u>36</u>

The securities are listed on the Stock Exchange and are carried at market value.

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 25. Trade and other payables

### The Group

At the balance sheet date, the aged analysis of trade payables is as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>5,474</b>	6,598
Over 30 days	<b>2,630</b>	1,218
Over 60 days	<b>2,621</b>	1,278
Over 90 days	<b>4,167</b>	1,044
Over 1 year	<b>1,569</b>	25,749
	<hr/>	<hr/>
Total trade payables	<b>16,461</b>	35,887
Customers' deposits, accruals and other payables	<b>58,871</b>	67,152
	<hr/>	<hr/>
	<b>75,332</b>	103,039
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 26. Share capital

	<b>The Group and the Company</b>	
	<b>Number of shares</b>	<b>Nominal value</b> HK\$'000
<b>Authorised:</b>		
At January 1, 2001 and January 1, 2002 of HK\$0.10 each	3,500,000,000	350,000
Cancellation of HK\$0.099 of the paid up capital of each of 1,408,871,178 issued shares	-	(139,478)
Share consolidation of ten reduced issued shares into one share of HK\$0.01 each	(1,267,984,061)	-
Subdivision of one unissued share into ten shares of HK\$0.01 each	18,820,159,398	-
Share consolidation of ten issued shares into one share of HK\$0.10 each	(18,946,957,804)	-
Increase of authorised share capital	1,394,782,467	139,478
At December 31, 2002 of HK\$0.10 each	<u>3,500,000,000</u>	<u>350,000</u>
<b>Issued and fully paid:</b>		
At January 1, 2001 of HK\$0.10 each	1,405,071,178	140,507
Issues of shares upon private placing	5,000,000	500
Cancellation upon repurchase of own shares	(1,200,000)	(120)
At January 1, 2002 of HK\$0.10 each	1,408,871,178	140,887
Cancellation of HK\$0.099 of the paid up capital of each of 1,408,871,178 issued shares	-	(139,478)
Share consolidation of ten reduced issued shares into one share of HK\$0.01 each	(1,267,984,061)	-
Issue of shares upon rights issue	140,887,117	1,409
Issue of shares upon bonus share issue	422,661,351	4,226
Share consolidation of ten issued shares into one share of HK\$0.10 each	(633,992,027)	-
Issue of shares upon bonus share issue	704,435,580	70,444
At December 31, 2002 of HK\$0.10 each	<u>774,879,138</u>	<u>77,488</u>

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 26. Share capital (continued)

- (1) Pursuant to resolutions passed on the special general meeting (“SGM”) held on March 15, 2002, the authorised share capital of the Company was reduced from HK\$350,000,000 divided into 3,500,000,000 shares of HK\$0.10 each to HK\$210,521,753.37 divided into 21,052,175,337 shares of HK\$0.01 each, upon completion of the capital reorganisation which involved: (i) the existing paid up capital and nominal value of each of the issued share of each of the issued share of the Company reduced from HK\$0.10 to HK\$0.001 each by the cancellation of HK\$0.099 of the paid up capital for each issued share of the Company (“Reduced Share”); (ii) each authorised but unissued share of the Company subdivided into ten shares of HK\$0.01 each; (iii) every issued ten Reduced Shares consolidated into one issued share; (iv) the credit of approximately HK\$139,478,000 arising from the cancellation of HK\$0.099 of the paid up capital of each issued share of the Company transferred to the contributed surplus account and fully utilised to eliminate part of the accumulated losses of the Company; and (v) an amount of approximately HK\$343,542,000 standing to the credit of the share premium account of the Company transferred to the contributed surplus account and applied to eliminate the balance of the accumulated losses of the Company.
- (2) Pursuant to another resolution passed on the same SGM held on March 15, 2002, a rights issue of not less than 140,887,117 shares of HK\$0.01 each at HK\$0.35 per share on the basis of one rights share for every rights share held on the record date with the bonus share issue on the basis of three bonus shares for every rights share taken up payable in full on acceptance.
- (3) Pursuant to resolutions passed on the SGM held on September 18, 2002, (i) an amount of approximately HK\$426,127,000 standing to the credit of the share premium account of the Company transferred to the contributed surplus account; (ii) an amount of approximately HK\$94,414,000 standing to the credit of the contributed surplus account of the Company applied to eliminate the balance of the accumulated losses of the Company; (iii) every ten issued and unissued shares of HK\$0.01 each consolidated into one issued share at HK\$0.10 each; and (iv) increase the authorised share capital of the Company from HK\$210,521,753.37 to HK\$350,000,000.
- (4) Pursuant to another resolution passed on the same SGM held on September 18, 2002, ten bonus shares were issued for every consolidated share. 704,435,580 bonus shares were issued and were credited as fully paid by using the credit in the contributed surplus account of the Company.

# Notes to the Financial Statements

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For the year ended December 31, 2002

### 27. Reserves

The other reserve of the Group of HK\$261,269,000 (2001: Nil) represents the non-distributable reserve transferred from the share premium account pursuant to the capital reorganisation on September 18, 2002. Details of the capital reorganisation are set out in note 26.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of Directors, as at December 31, 2002, the Company's reserve available for distribution consisted of contributed surplus of HK\$266,484,000, net of accumulated loss of HK\$205,040,000 (2001: Nil).

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 28. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>The Group</b>				
Amounts payable under finance leases:				
Within one year	<b>110</b>	165	<b>92</b>	132
In the second to fifth year inclusive	<b>354</b>	483	<b>300</b>	367
Over five years	<b>-</b>	60	<b>-</b>	50
	<b>464</b>	708	<b>392</b>	549
Less: future finance charges	<b>(72)</b>	(159)	<b>N/A</b>	N/A
Present value of lease obligations	<b>392</b>	549	<b>392</b>	549
Analysed as:				
Amounts due within one year shown under current liabilities			<b>92</b>	132
Amounts due after one year			<b>300</b>	417
			<b>392</b>	549



# Notes to the Financial Statements

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For the year ended December 31, 2002

## 28. Obligations under finance leases (continued)

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>The Company</b>				
Amounts payable under finance leases:				
Within one year	<b>14</b>	33	<b>10</b>	24
In the second to fifth year inclusive	<b>-</b>	14	<b>-</b>	10
	<b>14</b>	47	<b>10</b>	34
Less: future finance charges	<b>(4)</b>	(13)	<b>N/A</b>	N/A
Present value of lease obligations	<b>10</b>	34	<b>10</b>	34
Analysed as:				
Amounts due within one year shown under current liabilities			<b>10</b>	24
Amounts due after one year			<b>-</b>	10
			<b>10</b>	34

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 28. Obligations under finance leases (continued)

It is the Group's policy to lease certain of its furniture, fixtures and equipment under finance leases. The average lease term is six years. For the year ended December 31, 2002, the average effective borrowing rate was approximately 6% (2001: 7%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

## 29. Borrowings

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank loans and overdrafts				
Secured	<b>75,214</b>	88,167	-	-
Unsecured	<b>1,837</b>	7,477	-	-
	<b>77,051</b>	95,644	-	-
Unsecured loans advanced from Directors (note a)	<b>15,725</b>	14,932	<b>12,000</b>	-
Unsecured loans advanced from related companies (note b)	<b>4,755</b>	15,232	-	-
Secured loan advanced from a supplier (note c)	<b>130,715</b>	-	-	-
Unsecured loan advanced from a supplier (note c)	-	203,383	-	-
	<b>228,246</b>	329,191	<b>12,000</b>	-

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 29. Borrowings (continued)

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The maturity of the above loans is as follows:				
Within one year	<b>74,296</b>	242,676	<b>12,000</b>	-
More than one year, but not exceeding two years	<b>10,924</b>	21,044	-	-
More than two years, but not exceeding five years	<b>6,779</b>	39,354	-	-
More than five years	<b>136,247</b>	26,117	-	-
	<b>228,246</b>	329,191	<b>12,000</b>	-
Less: Amounts due within one year shown under current liabilities	<b>(74,296)</b>	(242,676)	<b>(12,000)</b>	-
Amounts due after one year	<b>153,950</b>	86,515	-	-

Notes:

- a. The loans advanced from a Director are unsecured and have no fixed terms of repayment. HK\$12,000,000 (2001: HK\$Nil) of the balance bears interest at 10% (2001: Nil) per annum. The remaining balance is non-interest bearing.

The loans advanced from Directors as at December 31, 2001 were unsecured, bore interest at 4.5% per annum and have no fixed terms of repayment.

- b. The loans advanced from related companies are unsecured and have no fixed terms of repayment. HK\$4,475,000 of the balance (2001: HK\$9,000,000) bears interest at 1% above the best lending rate. The remaining balance is non-interest bearing.

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 29. Borrowings (continued)

Notes: (continued)

HK\$4,632,000 of the balance at December 31, 2001 was unsecured and bore interest at the best lending rate offered by the Development Bank of Singapore. It was fully released upon the liquidation of a subsidiary.

The related companies are controlled by certain Directors of the Company.

- c. The loan advanced from a supplier is secured by properties of the Group, bears interest at 2.5% per annum and is repayable semi-annually by ten instalments commencing from June 30, 2012.

The balance of loan advanced from a supplier as at December 31, 2001 was unsecured, bore interest at 3%-3.3% per annum and was repayable on demand.

## 30. Loans advanced from minority shareholders

The loans are unsecured, non-interest bearing and have no fixed terms of repayment. The minority shareholders have agreed not to demand repayment of the loans in the next twelve months from the balance sheet date and, accordingly, the amounts have been classified as non-current liability.

## 31. Other loan

The loan was unsecured and non-interest bearing. It was fully repaid during the year.

## 32. Deferred taxation

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
At January 1	13	13	-	-
Charge for the year (note 13)	4	-	-	-
At December 31	<u>17</u>	<u>13</u>	<u>-</u>	<u>-</u>

# Notes to the Financial Statements

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## 32. Deferred taxation (continued)

At the balance sheet date, the major components of the deferred taxation liabilities (assets), recognised and unrecognised, are as follows:

	Recognised		Unrecognised	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>The Group</b>				
Excess of tax allowances over accounting depreciation in respect of property, plant and equipment	4	-	199	198
Taxation losses	-	-	(148,591)	(151,228)
Other timing differences	13	13	(241)	(825)
	<u>17</u>	<u>13</u>	<u>(148,633)</u>	<u>(151,855)</u>
<b>The Company</b>				
Excess of tax allowances over accounting depreciation in respect of property, plant and equipment	-	-	69	121
Taxation losses	-	-	(14,135)	(11,948)
	<u>-</u>	<u>-</u>	<u>(14,066)</u>	<u>(11,827)</u>

A deferred taxation asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

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## 32. Deferred taxation (continued)

The amount of unrecognised deferred taxation charge (credit) for the year is as follows:

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences because of:				
Excess (shortfall) of tax allowances over accounting depreciation in respect of property, plant and equipment	1	437	(52)	106
Taxation losses utilised (arising)	2,637	7,148	(2,187)	(1,754)
Other timing differences	584	(778)	-	-
	<u>3,222</u>	<u>6,807</u>	<u>(2,239)</u>	<u>(1,648)</u>

Deferred taxation has not been recognised on the revaluation increase or decrease arising on the revaluation of leasehold land and buildings and investment properties because profits or losses arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation increase or decrease arising on revaluation does not constitute a timing difference.

# Notes to the Financial Statements

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### 33. Disposal of subsidiaries

Summary of the effects of the disposal of subsidiaries are as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Net assets disposed of:		
Property, plant and equipment	-	3,826
Investment securities	<b>160</b>	-
Inventories	-	747
Trade and other receivables	-	3,924
Bank balances and cash	-	1,167
Trade and other payables	-	(10,963)
Obligations under finance leases	-	(202)
Minority interests	-	(441)
	<b>160</b>	(1,942)
Exchange reserve realised on disposal	-	(251)
Gain on disposal of subsidiaries	-	3,543
	<b>160</b>	1,350
Satisfied by:		
Trade and other receivables	-	1,350
Cash	<b>160</b>	-
Net cash inflow (outflow) arising on disposal:		
Cash consideration	<b>160</b>	-
Bank balances and cash disposed of	-	(1,167)
	<b>160</b>	(1,167)

The subsidiaries disposed of for both years did not have any significant impact on the Group's cash flows, turnover and operating results.

# Notes to the Financial Statements

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## 34. Purchase of subsidiaries

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Net assets acquired:		
Property, plant and equipment	-	1,428
Inventories	-	37,509
Trade and other receivables	-	16,456
Bank balances and cash	-	2,305
Trade and other payables	-	(57,493)
Taxation	-	(350)
Minority interests	-	6,746
Loans from minority shareholders	-	(3,096)
Other loan	-	(4,500)
	<hr/>	<hr/>
	-	(995)
Transfer from interests in associates	-	18,186
	<hr/>	<hr/>
	-	17,191
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Assignment of account receivable	-	17,191
	<hr/> <hr/>	<hr/> <hr/>
Net cash inflow in connection with the acquisition of subsidiaries:		
Bank balances and cash acquired	-	2,305
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries acquired during 2001 had contributed to HK\$4,489,000 to the Group's net operating cash flows, paid HK\$1,302,000 in respect of the net returns on investments and servicing of finance, paid HK\$589,000 in respect of taxation, utilised HK\$1,577,000 for investing activities and raised HK\$3,211,000 in respect of financing activities of that year.

The subsidiaries acquired during 2001 had contributed HK\$243,378,000 to the Group's turnover, and HK\$6,122,000 to the Group's profit from operations of that year.



# Notes to the Financial Statements

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For the year ended December 31, 2002

## 35. Liquidation of subsidiaries

A summary of the effects of liquidation of subsidiaries is as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Net assets written off:		
Investment securities	<b>529</b>	-
Inventories	<b>48</b>	-
Trade and other receivables	<b>6,269</b>	974
Trade and other payables	<b>(25,041)</b>	-
Bills payable	<b>(738)</b>	-
Taxation payable	<b>(168)</b>	-
Obligations under finance leases	<b>(81)</b>	-
Borrowings	<b>(6,071)</b>	-
	<b>(25,253)</b>	974
Exchange reserve released on liquidation	<b>(1,032)</b>	-
Capital reserve released on liquidation	<b>(1,434)</b>	-
	<b>(27,719)</b>	974

The effects on the cash flows and results of the Group upon the liquidation of the subsidiaries during the year are insignificant.

## 36. Major non-cash transactions

During the year, the Group has settled part of the loan advanced from a supplier of HK\$71,837,000 by applying the proceeds from disposal of the Group's entire equity interest in its associate.

During the year ended December 31, 2001, the Group purchased property, plant and equipment by means of finance leases. The addition cost of property, plant and equipment amounted to HK\$320,000.

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 37. Related party transactions

In addition to the balances with related parties disclosed under notes 23, 29 and 30 above, during the year, the Group entered into the following transactions with related parties:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Interest expenses paid to a Director	<b>295</b>	733
Interest expenses paid to a related company	<b>417</b>	-
Interest income received from a related party	<b>74</b>	-
Management and agency fee paid to a related company	<b>3,359</b>	3,531
Sales of goods to a related company	<b>950</b>	-
Maintenance service income received from a related company	<b>454</b>	-
	<u><b>4,549</b></u>	<u>4,264</u>

The interest expenses paid to a Director were agreed between the relevant parties. The interest rates ranged from 4.5% to 10% per annum.

The interest expense paid to a related company and the interest income received from a related party were determined by the Directors on the basis of estimated market rate.

The pricing of transactions regarding management and agency fees and goods sold to a related company were determined by the Directors on the basis of estimated market value.

# Notes to the Financial Statements

## 2002 Annual Report

For the year ended December 31, 2002

### 38. Operating lease arrangements

#### The Group as lessor

Property rental income earned, net of outgoings of HK\$4,472,000 (2001: HK\$3,722,000) during the year was HK\$7,143,000 (2001: HK\$8,112,000). The property held has committed tenants for the next two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments which fall due:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Within one year	<b>10,316</b>	8,765
In the second to fifth year inclusive	<b>3,733</b>	4,189
	<b><u>14,049</u></b>	<u>12,954</u>

#### The Group as lessee

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Minimum lease payments under operating leases recognised in the profit and loss account for the year	<b><u>9,396</u></b>	<u>16,986</u>

At the balance sheet date, the Group had commitments under non-cancellable operating leases, which fall due as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Within one year	<b>6,422</b>	6,641
In the second to fifth year inclusive	<b>2,160</b>	2,914
	<b><u>8,582</u></b>	<u>9,555</u>

# Notes to the Financial Statements

Annual Report

For the year ended December 31, 2002

## 38. Operating lease arrangements (continued)

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of two years and rentals are fixed for an average of one year.

At the balance sheet date, the Company had no commitments under non-cancellable operating leases (2001: Nil).

## 39. Contingent liabilities

At the balance sheet date, the Group and the Company had the following outstanding contingent liabilities which are not provided for in the financial statements in respect of:

	The Group		The Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given for banking and other facilities made available to subsidiaries	-	-	<b>158,822</b>	222,423
Other guarantees	-	2,141	<b>3,120</b>	5,097
	<u>-</u>	<u>2,141</u>	<u><b>161,942</b></u>	<u>227,520</u>

## 40. Pledge of assets

At the balance sheet date, certain of the Group's land and buildings, investment properties and properties held for sale with an aggregate net book value of HK\$349,952,000 (2001: HK\$355,227,000) and all assets of a subsidiary of HK\$12,617,000 (2001: HK\$9,096,000) have been pledged to secure facilities granted by banks and a supplier to the Group.

# Notes to the Financial Statements

## Annual Report

For the year ended December 31, 2002

### 41. Share option schemes

#### 1991 Scheme

The Company's share option scheme was adopted on June 22, 1991 ("1991 Scheme") for the primary purpose of providing incentives to Directors and eligible employees and expired on June 21, 2001. The Directors may, at their discretion, grant options to all eligible employees, including executive Directors of the Company and its subsidiaries.

The total number of shares in respect of which options may be granted under the 1991 Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the maximum aggregate number of shares of the Company for the time being issued and issuable under the 1991 Scheme.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per grant. Options are exercisable within a period of 6 years commencing one month from the date of acceptance of options.

The subscription price is determined by the Directors, and will not be less than the higher of a price being not less than 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the five trading days immediately preceding the date of grant, and the nominal value of a share of the Company.

#### 2001 Scheme

Another share option scheme ("2001 Scheme") was subsequently adopted pursuant to a resolution passed on June 28, 2001 for the primary purpose of providing incentives to Directors and eligible employees, and was terminated on May 30, 2002 pursuant to a resolution passed on that date.

Under the 2001 Scheme, the Directors may grant options to any full-time employees, including executive and non-executive Directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the 2001 Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the maximum aggregate number of shares of the Company for the time being issued and issuable under the 2001 Scheme.

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 41. Share option schemes (continued)

### 2001 Scheme (continued)

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per grant. Options are exercisable within a period of 6 years commencing one month from the date of acceptance of options.

The subscription price is determined by the Directors, and will not be less than the higher of a price being not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant, and the nominal value of a share of the Company.

Upon termination of the 2001 Scheme, no further options will be granted but in all other respects, the provisions of the 2001 Scheme shall remain in force and all granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

### 2002 Scheme

On August 23, 2001, the Stock Exchange has announced amendments to Chapter 17 of the Listing Rules, which has come into effect on September 1, 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the Company adopted a new share option scheme ("2002 Scheme") and terminated the 2001 Scheme on May 30, 2002 pursuant to a resolution passed on that date. The purpose of the 2002 Scheme is to provide incentives or rewards to participants for their contribution to the Group and enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any companies in which the Group holds any equity interest. The 2002 Scheme will expire on the 10th anniversary of date of adoption.

Under the 2002 Scheme, the Board of Directors of the Company may at their discretion grant options to the following participants of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

1. eligible employees, including Directors; or
2. suppliers or customers; or
3. any person or entity that provides research, development or other technological support; or
4. shareholders; or
5. employees, partners or Directors of any business partners, joint venture partners, financial advisers and legal advisers.

# Notes to the Financial Statements

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For the year ended December 31, 2002

### 41. Share option schemes (continued)

#### 2002 Scheme (continued)

Options granted to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the Independent Non-executive Directors of the Company (excluding any Independent Non-executive Director who is the grantee).

The total number of shares in respect of which options may be granted under the 2002 Scheme and any other schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time. Subject to the above rule, the total number of shares in respect of which options may be granted under the 2002 Scheme and any other schemes must not in aggregate, exceed 10% of the issued share capital of the Company at the adoption date of the 2002 Scheme without prior approval from the Company's shareholders.

The number of shares in respect of which options may be granted to any participant in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a substantial shareholder, or an Independent Non-executive Director of the Company, or any of their respective associates under the 2002 Scheme and any other schemes in any one year in excess of 0.1% of the Company's issued share capital or with a value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant upon payment of HK\$1 per each grant of options. The exercise period of the share options granted under the 2002 Scheme shall be determined by the Board of Directors when such options are granted, provided that such period shall not end later than 6 years from the date of grant. The subscription price is determined by the Board of Directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, or the average closing price of the shares for the five trading days immediately preceding the date of grant, or the nominal value of a share of the Company.

# Notes to the Financial Statements

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For the year ended December 31, 2002

## 41. Share option schemes (continued)

### Capital Reorganisation approved on March 15, 2002

Pursuant to resolutions passed on the SGM held on March 15, 2002, a capital reorganisation ("Reorganisation I"), which involves capital reductions, share subdivision and share consolidation, the rights issue with bonus issue on the basis of three bonus shares for every rights share taken up payable in full on acceptance, was approved.

Details of the Reorganisation I and the rights issue with bonus issue are set out in the Company's circular and prospectus dated February 20, 2002 and March 15, 2002 respectively.

### Capital Reorganisation approved on September 18, 2002

Pursuant to resolutions passed on the SGM held on September 18, 2002, another capital reorganisation ("Reorganisation II"), which involves the reduction of the share premium account, the cancellation of the accumulated losses, the share consolidation and the bonus issue to shareholders on the basis of ten bonus shares for every one consolidated share, was approved.

Details of the Reorganisation II and bonus issue are set out in the Company's circular dated August 23, 2002.

At December 31, 2002, the number of shares in respect of which options had been granted and remained outstanding under the 1991 Scheme, 2001 Scheme and 2002 Scheme were 47,984,001, 61,331,127 and 46,795,981 (2001: 101,770,400, 111,700,000 and nil respectively), representing 6.2%, 7.9% and 6.0% (2001: 7.2%, 7.9% and nil respectively) of the issued share capital of the Company at that date respectively.



# Notes to the Financial Statements

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For the year ended December 31, 2002

### 41. Share option schemes (continued)

The following table discloses details of the Company's share options held by employees (including Directors) and movements in such holdings during the year:

Scheme type	Date of grant	Outstanding at January 1, 2002		Granted on June 4, 2002	Lapsed during the period	Outstanding at June 30, 2002	
		Before Adjustment	After Adjustment <sup>#</sup>			Before Adjustment	After Adjustment <sup>@</sup>
1991	May 13, 1996	11,318,400	5,659,200	-	5,659,200	-	-
1991	July 28, 1997	30,000,000	15,000,000	-	500,000	14,500,000	15,951,594
1991	January 19, 1998	8,314,000	4,157,000	-	223,000	3,934,000	4,327,817
1991	June 10, 1998	1,000,000	500,000	-	-	500,000	550,055
1991	December 21, 1999	15,348,000	7,674,000	-	252,500	7,421,500	8,164,437
1991	February 11, 2000	8,330,000	4,165,000	-	500,000	3,665,000	4,031,901
1991	September 8, 2000	3,000,000	1,500,000	-	-	1,500,000	1,650,165
1991	January 18, 2001	460,000	230,000	-	100,000	130,000	143,014
1991	May 28, 2001	24,000,000	12,000,000	-	-	12,000,000	13,201,320
2001	August 10, 2001	106,000,000	53,000,000	-	-	53,000,000	58,305,830
2001	August 29, 2001	4,700,000	2,350,000	-	100,000	2,250,000	2,475,242
2001	November 23, 2001	1,000,000	500,000	-	-	500,000	550,055
2002	June 4, 2002	-	-	27,150,000	-	27,150,000	29,867,981
2002	September 24, 2002	-	-	-	-	-	-
Grand Total:		<u>213,470,400</u>	<u>106,735,200</u>	<u>27,150,000</u>	<u>7,334,700</u>	<u>126,550,500</u>	<u>139,219,411</u>

# The number of Share Options granted under 1991 and 2001 Schemes and their respective subscription prices have been adjusted for the Capital Reorganisation and the Rights Issue with the Bonus Share Issue taken place in March and April 2002 respectively.

@ The number of Share Options granted under 1991, 2001 and 2002 Schemes and their respective subscription prices have been adjusted for the Capital Reorganisation and the Bonus Share Issue taken place in September 2002.

# Notes to the Financial Statements

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For the year ended December 31, 2002

Granted on September 24, 2002	Reallocation during the period	Lapsed during the period	Outstanding at December 31, 2002	Exercisable period	Exercise price		
					Before Adjustment HK\$	After Adjustment# HK\$	After Adjustment@ HK\$
-	-	-	-	June 13, 1996 – June 30, 2002	0.9460	3.0963	-
-	-	-	15,951,594	August 28, 1997 – September 10, 2003	0.5330	1.7445	1.5858
-	-	22,002	4,305,815	February 19, 1998 – March 12, 2004	0.2200	0.7201	0.6546
-	-	-	550,055	July 24, 1998 – July 23, 2004	0.1053	0.3446	0.3132
-	-	14,300	8,150,137	February 1, 2000 – March 21, 2006	0.1400	0.4582	0.4165
-	-	-	4,031,901	March 18, 2000 – March 21, 2006	0.3264	1.0683	0.9711
-	-	-	1,650,165	November 5, 2000 – November 4, 2006	0.1413	0.4625	0.4204
-	-	-	143,014	March 6, 2001 – March 14, 2007	0.1000	0.3273	0.2975
-	-	-	13,201,320	June 29, 2001 – June 29, 2007	0.1000	0.3273	0.2975
-	-	-	58,305,830	September 14, 2001 – September 18, 2007	0.1000	0.3273	0.2975
-	-	-	2,475,242	September 30, 2001 – September 30, 2007	0.1000	0.3273	0.2975
-	-	-	550,055	December 23, 2001 – December 22, 2007	0.1000	0.3273	0.2975
-	-	-	29,867,981	June 4, 2002 – June 3, 2008	-	0.1584	0.1440
16,928,000	-	-	16,928,000	September 24, 2002 – September 23, 2008	-	-	0.1000
<u>16,928,000</u>	<u>-</u>	<u>36,302</u>	<u>156,111,109</u>				



# Notes to the Financial Statements

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For the year ended December 31, 2002

### 41. Share option schemes (continued)

Scheme type	Date of grant	Outstanding at January 1, 2001	Granted during the year	Lapsed during the year
1991	May 13, 1996	11,556,000	–	237,600
1991	July 28, 1997	30,000,000	–	–
1991	January 19, 1998	8,518,000	–	204,000
1991	June 10, 1998	1,000,000	–	–
1991	December 21, 1999	15,408,000	–	60,000
1991	February 11, 2000	9,490,000	–	1,160,000
1991	September 8, 2000	3,000,000	–	–
1991	January 18, 2001	–	24,160,000	23,700,000
1991	May 28, 2001	–	24,000,000	–
2001	August 10, 2001	–	106,000,000	–
2001	August 29, 2001	–	4,700,000	–
2001	November 23, 2001	–	1,000,000	–
Grand Total:		<u>78,972,000</u>	<u>159,860,000</u>	<u>25,361,600</u>

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For the year ended December 31, 2002

<b>Outstanding at December 31, 2001</b>	<b>Exercisable period</b>	<b>Exercise price HK\$</b>
11,318,400	June 13, 1996 – June 30, 2002	0.9460
30,000,000	August 28, 1997 – September 10, 2003	0.5330
8,314,000	February 19, 1998 – March 12, 2004	0.2200
1,000,000	July 24, 1998 – July 23, 2004	0.1053
15,348,000	February 1, 2000 – March 21, 2006	0.1400
8,330,000	March 18, 2000 – March 21, 2006	0.3264
3,000,000	November 5, 2000 – November 4, 2006	0.1413
460,000	March 6, 2001 – March 14, 2007	0.1000
24,000,000	June 29, 2001 – June 29, 2007	0.1000
106,000,000	September 14, 2001 – September 18, 2007	0.1000
4,700,000	September 30, 2001 – September 30, 2007	0.1000
1,000,000	December 23, 2001 – December 22, 2007	0.1000
<u>213,470,400</u>		

# Notes to the Financial Statements

## Annual Report

For the year ended December 31, 2002

### 41. Share option schemes (continued)

Details of the share options held by the Directors included in the above table are as follows:

Scheme type	Date of grant	Outstanding at January 1, 2002		Granted on June 4, 2002	Lapsed during the period	Outstanding at June 30, 2002	
		Before Adjustment	After Adjustment <sup>#</sup>			Before Adjustment	After Adjustment <sup>@</sup>
1991	May 13, 1996	6,120,000	3,060,000	-	3,060,000	-	-
1991	July 28, 1997	27,000,000*	13,500,000*	-	-	13,500,000*	14,851,484*
1991	January 19, 1998	6,100,000*	3,050,000*	-	-	3,050,000*	3,355,335*
1991	June 10, 1998	1,000,000	500,000	-	-	500,000	550,055
1991	December 21, 1999	13,500,000*	6,750,000*	-	-	6,750,000*	7,425,741*
1991	February 11, 2000	7,000,000	3,500,000	-	-	3,500,000	3,850,384
1991	January 18, 2001	260,000	130,000	-	-	130,000	143,014
1991	May 28, 2001	24,000,000	12,000,000	-	-	12,000,000	13,201,320
2001	August 10, 2001	106,000,000	53,000,000	-	-	53,000,000	58,305,830
2001	August 29, 2001	1,000,000*	500,000*	-	-	500,000*	550,054*
2002	June 4, 2002	-	-	4,400,000	-	4,400,000	4,840,484
2002	September 24, 2002	-	-	-	-	-	-
Grand Total:		<u>191,980,000</u>	<u>95,990,000</u>	<u>4,400,000</u>	<u>3,060,000</u>	<u>97,330,000</u>	<u>107,073,701</u>

\* Share Options granted to Mr. Richard Man Fai LEE's spouse were included.

\*\* Mr. Barry John BUTTIFANT was an executive Director of the Company and resigned on November 7, 2002.

The share options granted to him before his resignation were therefore reallocated to Share Options granted to "Continuous Contract Employees".

# The number of Share Options granted under 1991 and 2001 Schemes and their respective subscription prices have been adjusted for the Capital Reorganisation and the Rights Issue with the Bonus Share Issue taken place in March and April 2002 respectively.

@ The number of Share Options granted under 1991, 2001 and 2002 Schemes and their respective subscription prices have been adjusted for the Capital Reorganisation and the Bonus Share Issue taken place in September 2002.

# Notes to the Financial Statements

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For the year ended December 31, 2002

Granted on September 24, 2002	Reallocation during the period	Lapsed during the period	Outstanding at December 31, 2002	Exercisable period	Exercise price		
					Before Adjustment HK\$	After Adjustment# HK\$	After Adjustment@ HK\$
-	-	-	-	June 13, 1996 - June 16, 2002	0.9460	3.0963	-
-	-	-	14,851,484*	August 28, 1997 - August 30, 2003	0.5330	1.7445	1.5858
-	-	-	3,355,335*	February 19, 1998 - February 21, 2004	0.2200	0.7201	0.6546
-	-	-	550,055	July 24, 1998 - July 23, 2004	0.1053	0.3446	0.3132
-	-	-	7,425,741*	February 6, 2000 - February 10, 2006	0.1400	0.4582	0.4165
-	-	-	3,850,384	March 18, 2000 - March 21, 2006	0.3264	1.0683	0.9711
-	-	-	143,014	March 6, 2001 - March 5, 2007	0.1000	0.3273	0.2975
-	(11,001,100)**	-	2,200,220	June 29, 2001 - June 29, 2007	0.1000	0.3273	0.2975
-	(19,251,925)**	-	39,053,905	September 14, 2001 - September 18, 2007	0.1000	0.3273	0.2975
-	-	-	550,054*	September 30, 2001 - September 29, 2007	0.1000	0.3273	0.2975
-	-	-	4,840,484	June 4, 2002 - June 3, 2008	-	0.1584	0.1440
16,928,000	(7,748,000)**	-	9,180,000	September 24, 2002 - September 23, 2008	-	-	0.1000
<u>16,928,000</u>	<u>(38,001,025)</u>	<u>-</u>	<u>86,000,676</u>				



# Notes to the Financial Statements

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For the year ended December 31, 2002

## 41. Share option schemes (continued)

Scheme type	Date of grant	Outstanding at January 1, 2001	Granted during the year	Lapsed during the year
1991	May 13, 1996	6,120,000	-	-
1991	July 28, 1997	27,000,000*	-	-
1991	January 19, 1998	6,100,000*	-	-
1991	June 10, 1998	1,000,000	-	-
1991	December 21, 1999	13,500,000*	-	-
1991	February 11, 2000	7,000,000	-	-
1991	January 18, 2001	-	23,960,000*	23,700,000*
1991	May 28, 2001	-	24,000,000	-
2001	August 10, 2001	-	106,000,000	-
2001	August 29, 2001	-	1,000,000*	-
Grand Total:		<u>60,720,000</u>	<u>154,960,000</u>	<u>23,700,000</u>

\* Share Options granted to Mr. Richard Man Fai LEE's spouse were included.

Total consideration received during the year from employees (including Directors) for taking up the options granted is amounted to HK\$37 (2001: HK\$30).

No charge is recognised in the income statement in respect of the value of options granted in the year (2001: Nil).

# Notes to the Financial Statements

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<b>Outstanding at December 31, 2001</b>	<b>Exercisable period</b>	<b>Exercise price</b> HK\$
6,120,000	June 13, 1996 – June 16, 2002	0.9460
27,000,000 *	August 28, 1997 – August 30, 2003	0.5330
6,100,000 *	February 19, 1998 – February 21, 2004	0.2200
1,000,000	July 24, 1998 – July 23, 2004	0.1053
13,500,000 *	February 6, 2000 – February 10, 2006	0.1400
7,000,000	March 18, 2000 – March 21, 2006	0.3264
260,000	March 6, 2001 – March 5, 2007	0.1000
24,000,000	June 29, 2001 – June 29, 2007	0.1000
106,000,000	September 14, 2001 – September 18, 2007	0.1000
<u>1,000,000 *</u>	September 30, 2001 – September 29, 2007	0.1000
<u><u>191,980,000</u></u>		



# Notes to the Financial Statements

## 2020 Annual Report

For the year ended December 31, 2002

### 42. Principal subsidiaries

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
<b>Direct subsidiary</b>				
Wo Kee Hong (B.V.I.) Limited	British Virgin Islands	100.0	30,000 shares of US\$0.01 each	Investment holding
<b>Indirect subsidiaries</b>				
Auto Italia Limited	Hong Kong	86.0	10,000 shares of HK\$10 each	Trading of cars and related accessories and provision of car repairing services
Bodyworld International (B.V.I.) Ltd.	British Virgin Islands	100.0	1 share of US\$1 each	Trading brand holding
Cliven Pte Ltd	Singapore	100.0	10 ordinary shares of S\$1 each	Investment holding
Corich Enterprises Inc.	British Virgin Islands	100.0	100 shares of US\$1 each	Investment holding
East Wood Offshore Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Eight Wonders Company Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment

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## 42. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
<b>Indirect subsidiaries (continued)</b>				
Elbright Limited	Hong Kong	100.0	2 shares of HK\$1 each	Property leasing agent
Ever Rising Investments Limited	Hong Kong	100.0	2 shares of HK\$1 each	Property investment
Excellent Top Ltd.	British Virgin Islands/PRC	100.0	180,000 shares of US\$1 each	Trading brand holding
Flying Colours Company Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Full Moon Overseas Limited	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Haverest Moon Holdings Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Italian Motors (Sales & Service) Limited	Hong Kong	86.0	60,000 shares of HK\$10 each	Trading of cars and related accessories and provision of car repairing services
Jacobean Co. Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Locomotion Enterprises Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment



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## 42. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
<b>Indirect subsidiaries (continued)</b>				
Macau Wo Kee Hong Import & Export Limited	Macau	100.0	MOP10,000	Trading of audio-visual equipment, air-conditioning and refrigeration products and providing repairs and maintenance services for air-conditioning equipment and electronic appliances
Maiden Pink Limited	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Martview Limited	Hong Kong	100.0	2 shares of HK\$1 each	Property holding
Mega Warehouse Company Limited	Hong Kong	100.0	2 shares of HK\$1 each	Trading brand holding
Mega Warehouse (Hong Kong) Limited	Hong Kong	100.0	1,000,000 shares of HK\$1 each	Warehouse stores operation
Metro Global Limited	Hong Kong	100.0	2 non voting deferred shares of HK\$1 each and 1,000 ordinary shares of HK\$1 each	Investment holding
Midtown Company Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment



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## 42. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
<b>Indirect subsidiaries (continued)</b>				
Most Advance International Ltd.	British Virgin Islands	100.0	1 share of US\$1 each	Investment holding
New Castle Development Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Number One Enterprises Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Rising Sun Development Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Riverlily Enterprises Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Rogers International Limited	Bahamas	100.0	2 shares of US\$1 each	Trading brand holding
Shinwa Engineering Company, Limited	Hong Kong	100.0	5,000,000 non-voting deferred shares of HK\$1 each and 2 ordinary shares of HK\$1 each	Investment holding
Sincere Overseas Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment

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### 42. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
<b>Indirect subsidiaries (continued)</b>				
Skyline Trading Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Stoneycroft Estates Limited	Hong Kong	100.0	20,000,000 non-voting deferred shares of HK\$1 each and 1,000 ordinary shares of HK\$1 each	Property investment
Technorient Limited	Hong Kong	86.0	261,687 shares of HK\$100 each	Investment holding
Waterfront Company Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Wo Kee Hong Distribution Pte Ltd	Singapore	100.0	4,500,000 ordinary shares of S\$1 each	Distribution of home audio and car audio equipment and accessories
Wo Kee Hong Electronics Sdn. Bhd.	Malaysia	100.0	1,000,000 ordinary shares of M\$1 each	Distribution of audio-visual equipment

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## 42. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
<b>Indirect subsidiaries (continued)</b>				
Wo Kee Hong Finance Limited	Hong Kong	100.0	2 shares of HK\$1 each	Finance and money lending
Wo Kee Hong Limited	Hong Kong	100.0	10,000 non-voting deferred shares of HK\$1,000 each and 2 ordinary shares of HK\$1,000 each	Investment holding and distribution of audio-visual equipment, car audio and electronic products, air-conditioning and refrigeration products, electrical appliances and electronic components
Wo Kee Hong Professional Air Conditioning Pte Ltd	Singapore	93.5	5,000,000 shares of S\$1 each	Distribution of air-conditioning products
Wo Kee Hong Trading Sdn. Bhd. (Formerly known as Wo Kee Hong Professional Air Conditioning Sdn. Bhd.)	Malaysia	100.0	4,200,000 ordinary shares of M\$1 each	Distribution and installation of air-conditioning products

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### 42. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
<b>Indirect subsidiaries (continued)</b>				
Wo Kee Joyful Limited	Hong Kong	100.0	2,000,000 shares of HK\$1 each	Company secretarial service
Wo Kee Services Limited	Hong Kong	100.0	2 non-voting deferred shares of HK\$100 each and 19,998 ordinary shares of HK\$100 each	Provision of warehousing, delivery, repairs and maintenance services
東莞市先和亞太電器有限公司	PRC	100.0	RMB1,000,000	Distribution of air-conditioning, electrical and electronic products

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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## 43. Principal associate

The following is the principal associate as at December 31, 2002:

<b>Name of company</b>	<b>Place of incorporation/ operation</b>	<b>Percentage of equity interest attributable to the Group</b>	<b>Issued and fully paid share capital or registered capital</b>	<b>Principal activities</b>
Jin Ling Electrical Company Limited	PRC	50.0	RMB263,500,000	Manufacturing and trading of washing machines

The above table lists the associate of the Group which, in the opinion of the Directors, principally affects the results or assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.