



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

1. GENERAL INFORMATION

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

The principal activities of the Group are manufacture and trading of fibreboards and veneers, property development and investment, raw steel and material trading, hotel operation and investment holding.

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 income statements 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 income and expenses, which was previously presented under a separate headings, is classified as investing and financing cash flows respectively.

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.



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

All significant intercompany transactions and balances have been eliminated on consolidation.

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 at the date of acquisition.

Goodwill arising on acquisitions is capitalised and amortised on a straight-line basis over its estimated useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Investments in subsidiaries

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

Investment properties

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



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

Investment properties are stated at their open market value based on independent professional valuations at each 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 revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

(i) *Hotel properties*

Hotel properties are stated in the balance sheet at their open market value based on independent professional valuations at each balance sheet date. Any revaluation increase arising on the revaluation of hotel properties is credited to the hotel property revaluation reserve except to the extent that it reverses a revaluation decrease of the same hotel property previously recognised as an expense, in which case this increase is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of a hotel property is charged to the income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that hotel property. On the subsequent sale or retirement of a revalued hotel property, the balance on the hotel property revaluation reserve attributable to that property is credited to the accumulated profits.

No depreciation is provided on hotel properties except where the unexpired term of the relevant lease is 20 years or less. It is the Group's practice to maintain the buildings in a continual state of sound repairs and to make improvements thereto from time to time and accordingly, the Directors consider that depreciation is not necessary due to their high residual value.



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

(ii) *Other property, plant and equipment*

Other property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

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

Land and buildings in Hong Kong under medium-term leases	Over the lease term
Land and buildings outside Hong Kong under medium-term leases	2.5% to 4.5% or over the lease term, if shorter
Furniture, equipment and leasehold improvements	10% to 20%
Plant and machinery	10% to 30%
Motor vehicles	15% to 30%

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 income statement.

- (iii) Construction in progress is stated at cost. No depreciation or amortisation is provided for construction in progress until the construction is completed and the assets are ready for their intended use. Costs of completed construction works are transferred to the appropriate categories of other property, plant and equipment.

Properties held for development

Properties held for development are stated at cost less any identified impairment loss. Depreciation of these properties, on the same basis as other property, plant and equipment, commences when the assets are put into use.

Properties held for sale

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



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has an expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

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 profit or loss for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment *(continued)*

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 asset 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 SSAP.

Turnover

Turnover represents the gross amounts received and receivable for revenue arising on hotel operations, goods sold by the Group to outside customers, less return and allowances and gross rental income during the year.

Revenue recognition

(i) *Hotel operations*

Revenue arising from hotel operations is recognised when the relevant services are rendered.

(ii) *Sales of goods*

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

(iii) *Rental income*

Rental income arising from properties let under operating leases is recognised on a straight-line basis over the periods of the respective leases.

(iv) *Interest income*

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



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Taxation

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Retirement benefits scheme

Payments to defined contribution retirement scheme are charged as an expenses as they fall due.

Operating leases

Rental expenses under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the income statement.



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

3. SUMMARY OF 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.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five operating divisions - fibreboards and veneers, hotel operations, trading, property investment and property development and trading. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Fibreboards and veneers	-	manufacture and trading of medium density fibreboards
Hotel operations	-	hotel ownership and management
Trading	-	trading of raw steel and material products
Property investment	-	holding investment properties
Property development and trading	-	holding properties held for development and properties held for sale



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Segment information about these businesses is presented below.

For the year ended 31st December, 2002:

	Fibreboards and veneers	Hotel operations	Trading	Property investment	Property development and trading	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	<u>104,453</u>	<u>26,260</u>	<u>46,156</u>	<u>3,973</u>	<u>—</u>	<u>180,842</u>
RESULTS						
Segment results	50,120	4,339	413	(15,019)	(432)	39,421
Interest income						221
Net unrealised holding losses on other investments						(93)
Unallocated corporate expenses						(17,694)
Profit from operations						21,855
Finance costs						(3,810)
Profit for the year						<u>18,045</u>

At 31st December, 2002:

	Fibreboards and veneers	Hotel operations	Trading	Property investment	Property development and trading	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS						
Segment assets	196,014	165,969	14,231	65,177	184,380	625,771
Goodwill	108,721	—	—	—	—	108,721
Investments in securities						64
Club debenture						205
Pledged bank deposits						10,870
Bank balances and cash						47,749
Unallocated corporate assets						2,790
Consolidated total assets						<u>796,170</u>
LIABILITIES						
Segment liabilities	34,851	6,381	12,352	1,327	476	55,387
Unallocated corporate liabilities						237,516
Consolidated total liabilities						<u>292,903</u>



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

OTHER INFORMATION

	Fibreboards and veneers HK\$'000	Hotel operations HK\$'000	Trading HK\$'000	Property development		Unallocated corporate assets HK\$'000	Consolidated HK\$'000
				investment	and trading		
				HK\$'000	HK\$'000		
Capital additions	135,317	967	10	—	—	272	136,566
Depreciation and amortisation	7,155	1,320	60	—	—	624	9,159
Revaluation deficit	—	—	—	17,900	—	—	17,900

For the year ended 31st December, 2001:

	Fibreboards and veneers HK\$'000	Hotel operations HK\$'000	Property development			Consolidated HK\$'000
			Trading	investment	and trading	
			HK\$'000	HK\$'000	HK\$'000	
REVENUE	—	22,791	49,027	4,087	—	75,905
RESULTS						
Segment results	—	4,616	(1,244)	(4,316)	7,557	6,613
Interest income						738
Net unrealised holding gains on other investments						46
Unallocated corporate expenses						(9,795)
Loss from operations						(2,398)
Finance costs						(3,569)
Loss for the year						(5,967)



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

At 31st December, 2001:

	Fibreboards and veneers	Hotel operations	Trading	Property investment	development and trading	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS						
Segment assets	—	166,132	15,337	82,879	184,746	449,094
Investments in securities						157
Club debenture						205
Pledged bank deposits						10,737
Bank balances and cash						31,249
Unallocated corporate assets						2,893
						<u>494,335</u>
LIABILITIES						
Segment liabilities	—	5,383	15,445	1,310	100	22,238
Unallocated corporate liabilities						44,026
						<u>66,264</u>

OTHER INFORMATION

	Fibreboards and veneers	Hotel operations	Trading	Property investment	development and trading	Unallocated corporate assets	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	—	7,883	17	—	—	2,771	10,671
Depreciation	—	1,095	56	—	—	708	1,859
Revaluation deficit	—	—	—	7,000	—	—	7,000
Write back of impairment loss	—	—	—	—	7,940	—	7,940



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Geographical segments

The Group's fibreboards and veneers and hotel operations are located in the People's Republic of China, other than Hong Kong (the "PRC"). Trading operations is located in Hong Kong.

Property investment, development and trading operations are located in both PRC and Hong Kong.

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 profit (loss) for the year	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The PRC	130,713	22,814	54,459	12,111
Hong Kong	50,129	53,091	(15,038)	(5,498)
	<u>180,842</u>	<u>75,905</u>	<u>39,421</u>	<u>6,613</u>
Interest income			221	738
Net unrealised holding (losses) gains on other investments			(93)	46
Unallocated corporate expenses			(17,694)	(9,795)
Profit (loss) from operations			21,855	(2,398)
Finance costs			(3,810)	(3,569)
Profit (loss) for the year			<u>18,045</u>	<u>(5,967)</u>

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 and goodwill	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The PRC	589,999	357,221	136,283	7,883
Hong Kong	206,171	137,114	283	2,788
	<u>796,170</u>	<u>494,335</u>	<u>136,566</u>	<u>10,671</u>



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

5. OTHER OPERATING INCOME

Other operating income included the following items:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Valued added tax refunded	10,942	—
Interest income	221	738
Net unrealised holding gains on other investments	—	46
	<u> </u>	<u> </u>

6. PROFIT (LOSS) FROM OPERATIONS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Profit (loss) from operations has been arrived at after charging (crediting):		
Auditors' remuneration		
Current year	1,077	600
Overprovision in prior year	—	(150)
Amortisation of goodwill (included in other operating expenses)	3,862	—
Depreciation of property, plant and equipment	5,297	1,859
Staff costs (including directors' remuneration)	16,701	10,584
Unrealised holding losses on other investments	93	—
Loss (gain) on disposal of property, plant and equipment	14	(15)
Net foreign exchange gains	(164)	(9)
	<u> </u>	<u> </u>



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

7. FINANCE COSTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Interest on convertible notes	1,493	—
Interest on bank borrowings wholly repayable within five years	2,396	535
Interest on bank borrowings not wholly repayable within five years	—	3,034
Total borrowing costs	3,889	3,569
Less: amount capitalised	(79)	—
	<u>3,810</u>	<u>3,569</u>

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a. Directors' emoluments

The aggregate emoluments of the Directors of the Company are as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Fees:		
Executive Directors	—	—
Independent Non-Executive Directors	200	200
	<u>200</u>	<u>200</u>
Other emoluments (Executive Directors):		
Salaries and other benefits	4,113	2,561
Retirement benefits scheme contributions	136	77
	<u>4,249</u>	<u>2,638</u>
	<u>4,449</u>	<u>2,838</u>



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

a. Directors' emoluments *(continued)*

The emoluments of the Directors were within the following bands:

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

No Directors waived any emoluments for both years.

b. Employees' emoluments

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Salaries and other benefits	445	1,316
Retirement benefits scheme contributions	<u>12</u>	<u>60</u>
	<u>457</u>	<u>1,376</u>

The aggregate emoluments of this one (2001: each of these three) highest paid individual is less than HK\$1,000,000.



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

9. RETIREMENT BENEFIT SCHEME

The Group contributes to a defined contribution retirement scheme which is available to Hong Kong permanent employees. This retirement scheme is administered by independent trustees with their assets held separately from those of the Group. Contributions under the staff retirement scheme for each year are based on a percentage of the eligible employees' salaries and are charged to the income statement as incurred. The total contribution to the scheme amounted to HK\$169,000 (2001: HK\$157,000) for the year and has been charged to the income statement. Forfeited employer contributions in respect of former employees before vesting period from the staff retirement scheme before vesting period may be used by the Group to reduce its ongoing employer contributions. The forfeited contributions utilised during the year was amounted to HK\$97,000 (2001: Nil). At the balance sheet date, there is no balance of forfeited contributions available to reduce the contribution payable in the future years.

Since the introduction of the Mandatory Provident Fund ("MPF") Scheme in Hong Kong, the Group has also participated in an approved MPF Scheme with Bank of Consortium effective 1st December, 2000 to provide an MPF Scheme to all employees.

The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited at 5% of HK\$20,000 for each eligible employee) as calculated under the MPF legislation. During the year under review, the total amount contributed by the Group to the MPF Scheme and charged to the income statement amounted to HK\$51,000 (2001: HK\$54,000).

10. TAXATION

No provision for Hong Kong Profits Tax or overseas taxation has been made in the financial statements as the Company and its subsidiaries have no assessable profits for both years and/or according to the PRC tax regulations. One of the Group's PRC subsidiary is in tax holiday and exempted from PRC enterprise income tax for the first two years starting from its first profit-making year followed by a 50% reduction for the next three years.



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

10. TAXATION (continued)

At the balance sheet date, the major components of the unrecognised net deferred tax assets are as follows:

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences because of:				
Tax losses	13,215	11,708	4,334	4,334
Excess of accounting tax allowances over depreciation in respect of property, plant and equipment	60	(177)	—	—
	<u>13,275</u>	<u>11,531</u>	<u>4,334</u>	<u>4,334</u>

No deferred tax asset has been recognised in the financial statements as it is not certain that the tax benefit will be utilised in the foreseeable future.

The amount of unprovided deferred tax (credit) charge for the year is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Tax effect of timing differences because of:		
Tax losses (arising) utilised	(1,507)	1,671
Difference between tax allowances and accounting depreciation in respect of property, plant and equipment	(237)	127
	<u>(1,744)</u>	<u>1,798</u>

The revaluation deficit arising on the revaluation of properties in Hong Kong does not constitute a timing difference. Therefore, deferred tax has not been recognised in respect of the valuation deficit relating to properties in Hong Kong.



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

11. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the profit for the year of HK\$18,045,000 (2001: a loss of HK\$5,967,000) and on the weighted average number of 783,482,109 ordinary shares (2001: 657,242,153 ordinary shares) in issue during the year.

The calculation of the diluted earnings per share for the year ended 31st December, 2002 is based on the adjusted profit for the year of HK\$19,336,000 after adjusting for the effect of dilutive potential ordinary shares of the convertible notes of HK\$1,291,000, and on the weighted average number of 1,261,570,390 ordinary shares.

The computation of diluted earnings per share for the year does not assume the exercise of the Company's share options because the exercise price of the Company's share option is higher than the average market price per share for the current year.

No diluted earnings per share was presented for the year ended 31st December, 2001 as the Company did not have any potential dilutive shares for that year.

12. INVESTMENT PROPERTIES

	In the PRC held under medium-term leases HK\$'000	In Hong Kong held under medium-term leases HK\$'000	Total HK\$'000
THE GROUP			
VALUATION			
As at 1st January, 2002	900	81,600	82,500
Deficit on revaluation	—	(17,900)	(17,900)
As at 31st December, 2002	<u>900</u>	<u>63,700</u>	<u>64,600</u>

Investment properties were revalued at their open market value at 31st December, 2002 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers, on an open market value basis. This valuation gave rise to a revaluation deficit of HK\$17,900,000 (2001: HK\$7,000,000), which has been charged to the consolidation income statement.

All of the Group's investment properties are rented out under operating leases.



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

13. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties in the PRC held under medium- term leases HK\$'000	Land and buildings HK\$'000	Furniture, equipment and leasehold improvements HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP							
COST OR VALUATION							
At 1st January, 2002	155,000	5,237	18,553	11,158	2,680	—	192,628
Acquisition of subsidiaries	—	40,753	—	68,380	—	924	110,057
Additions	—	—	984	10,844	—	12,155	23,983
Transfer	—	1,758	(297)	125	—	(1,586)	—
Disposals and write off	—	—	(1,340)	(21)	—	—	(1,361)
At 31st December, 2002	<u>155,000</u>	<u>47,748</u>	<u>17,900</u>	<u>90,486</u>	<u>2,680</u>	<u>11,493</u>	<u>325,307</u>
Comprising:							
At cost	—	47,748	17,900	90,486	2,680	11,493	170,307
At valuation - 2002	<u>155,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>155,000</u>
	<u>155,000</u>	<u>47,748</u>	<u>17,900</u>	<u>90,486</u>	<u>2,680</u>	<u>11,493</u>	<u>325,307</u>
DEPRECIATION							
At 1st January, 2002	—	1,861	11,955	10,089	2,221	—	26,126
Provided for the year	—	963	1,583	2,648	103	—	5,297
Eliminated on disposals and write off	—	—	(1,322)	(15)	—	—	(1,337)
At 31st December, 2002	<u>—</u>	<u>2,824</u>	<u>12,216</u>	<u>12,722</u>	<u>2,324</u>	<u>—</u>	<u>30,086</u>
NET BOOK VALUES							
At 31st December, 2002	<u>155,000</u>	<u>44,924</u>	<u>5,684</u>	<u>77,764</u>	<u>356</u>	<u>11,493</u>	<u>295,221</u>
At 31st December, 2001	<u>155,000</u>	<u>3,376</u>	<u>6,598</u>	<u>1,069</u>	<u>459</u>	<u>—</u>	<u>166,502</u>

Hotel properties situated in the PRC were revalued on the basis of their open market value on 31st December, 2002 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers. There was no revaluations surplus or deficit arising from the revaluation as at 31st December, 2002.



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2002

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

If hotel properties had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of HK\$161,849,000 (2001: HK\$156,877,000).

The net book value of land and buildings shown above comprises:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
In Hong Kong held under medium-term leases	2,459	2,516
In the PRC held under medium-term leases	42,465	860
	<u>44,924</u>	<u>3,376</u>

Included in construction in progress is interest capitalised of HK\$79,000 (2001: Nil).

14. PROPERTIES HELD FOR DEVELOPMENT

	THE GROUP	
	In the PRC	
	held under long leases	
	2002 & 2001	
	HK\$'000	
Cost		199,267
Less: Impairment loss		(119,267)
		<u>80,000</u>

15. GOODWILL

	THE GROUP	
	HK\$'000	
COST		
Arising on acquisition of subsidiaries and balance at 31st December, 2002		112,583
AMORTISATION		
Charge for the year and balance at 31st December, 2002		<u>3,862</u>
NET BOOK VALUE		
At 31st December, 2002		<u>108,721</u>

The goodwill is arising on acquisition of subsidiaries during the year. The amortisation period adopted for the goodwill is 20 years.



NOTES TO THE FINANCIAL STATEMENT

For the Year Ended 31st December, 2002

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Unlisted investments, at cost	1,096,607	1,096,607
Less: Impairment loss	(1,073,000)	(1,073,000)
	<u>23,607</u>	<u>23,607</u>

Particulars of the Company's principal subsidiaries as at 31st December, 2002 are set out in note 33.

17. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2002 & 2001	2002	2001	2002	2001	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
THE GROUP						
Listed shares in Hong Kong	—	63	156	63	156	
Overseas debt securities	1	—	—	1	1	
	<u>1</u>	<u>63</u>	<u>156</u>	<u>64</u>	<u>157</u>	
Market value of listed shares	—	63	156	64	156	
Carrying amount analysed for reporting purposes as:						
Current	—	63	156	63	156	
Non-current	1	—	—	1	1	
	<u>1</u>	<u>63</u>	<u>156</u>	<u>64</u>	<u>157</u>	



NOTES TO THE FINANCIAL STATEMENT

For the Year Ended 31st December, 2002

18. OTHER RECEIVABLE

THE GROUP

Amount represents construction materials purchased for construction in progress but subsequently borrowed by town government of the PRC.

19. PROPERTIES HELD FOR SALE

THE GROUP

Properties held for sale are stated at net realisable value.

20. INVENTORIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Fibreboards and veneers		
Raw materials	18,368	—
Work in progress	611	—
Finished goods	2,145	—
	<u>21,124</u>	<u>—</u>
Food, beverages and hotel supplies	1,522	1,504
Raw steel and material products	—	10,663
	<u>22,646</u>	<u>12,167</u>



NOTES TO THE FINANCIAL STATEMENT

For the Year Ended 31st December, 2002

21. TRADE AND OTHER RECEIVABLES

THE GROUP

The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of the Group's trade receivables at the balance sheet date:

	2002	2001
	HK\$'000	HK\$'000
0 - 60 days	27,123	3,198
61 - 90 days	933	811
91 - 120 days	513	269
> 120 days	2,345	37
	<hr/>	<hr/>
Trade receivables	30,914	4,315
Other receivables	13,028	1,903
	<hr/>	<hr/>
	43,942	6,218
	<hr/> <hr/>	<hr/> <hr/>

22. TRADE AND OTHER PAYABLES

THE GROUP

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	2002	2001
	HK\$'000	HK\$'000
0 - 60 days	11,952	4,498
61 - 90 days	982	205
91 - 120 days	450	140
> 120 days	210	—
	<hr/>	<hr/>
Trade payables	13,594	4,843
Other payables	39,116	11,634
	<hr/>	<hr/>
	52,710	16,477
	<hr/> <hr/>	<hr/> <hr/>



NOTES TO THE FINANCIAL STATEMENT

For the Year Ended 31st December, 2002

23. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Secured bank loans	37,890	46,537	29,250	35,750
Secured bank overdraft	957	704	—	—
	<u>38,847</u>	<u>47,241</u>	<u>29,250</u>	<u>35,750</u>
The maturity of the bank borrowings is as follows:				
Within one year or on demand	16,097	17,991	6,500	6,500
More than one year but not exceeding two years	6,500	6,500	6,500	6,500
More than two years but not exceeding five years	16,250	19,500	16,250	19,500
More than five years	—	3,250	—	3,250
	<u>38,847</u>	<u>47,241</u>	<u>29,250</u>	<u>35,750</u>
Less: Amount due within one year shown under current liabilities	<u>(16,097)</u>	<u>(17,991)</u>	<u>(6,500)</u>	<u>(6,500)</u>
Amount due after one year	<u>22,750</u>	<u>29,250</u>	<u>22,750</u>	<u>29,250</u>

The secured bank loans bear interest at market rates. The secured bank loans amounting to HK\$22,750,000 (2001: HK\$29,250,000) are repayable in instalments over a period of 4.5 years (2001: 5.5 years) and the remaining secured bank loans of HK\$15,140,000 (2001: HK\$17,287,000) are repayable within one year.



NOTES TO THE FINANCIAL STATEMENT

For the Year Ended 31st December, 2002

24. SHARE CAPITAL

	Number of shares		Nominal value	
	2002	2001	2002 HK\$'000	2001 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At beginning of the year	1,000,000,000	1,000,000,000	100,000	100,000
Increase during the year	2,000,000,000	—	200,000	—
At end of the year	<u>3,000,000,000</u>	<u>1,000,000,000</u>	<u>300,000</u>	<u>100,000</u>
Issued and fully paid:				
At beginning of the year	666,200,219	582,925,192	66,620	58,293
Rights issue of shares	133,240,043	83,275,027	13,324	8,327
Conversion of convertible notes	115,555,555	—	11,556	—
At end of the year	<u>914,995,817</u>	<u>666,200,219</u>	<u>91,500</u>	<u>66,620</u>

Pursuant to the special resolution passed on 8th April, 2002 in the special general meeting, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$300,000,000 by the creation of additional 2,000,000,000 new ordinary shares of HK\$0.10 each.

In order to strengthen the equity base of the Group and to secure additional cash resources for the business development of the Group, the Company carried out rights issue of 133,240,043 ordinary shares of HK\$0.10 each for a consideration of HK\$0.21 per share. These rights shares were issued in April 2002 to the existing shareholders, on the basis of one rights share for every five shares then held. These rights shares ranked pari passu with the then existing shares in all respects. Details of the rights issue were set out in the prospectus of the Company dated 19th March, 2002.



NOTES TO THE FINANCIAL STATEMENT

For the Year Ended 31st December, 2002

24. SHARE CAPITAL *(continued)*

On 11th December, 2002, 115,555,555 ordinary shares of HK\$0.10 each were converted by the holders of convertible notes at conversion price of HK\$0.27 per share. Details of the conversion of convertible note were disclosed in note 26.

In 2001, the Company carried out rights issue of 83,275,027 ordinary shares of HK\$0.10 each, for a consideration of HK\$0.35 per share. The rights issue was made on 27th August, 2001 to the existing shareholders, on the basis of one rights share per every seven shares then held. The rights shares ranked *pari passu* with the then existing shares in all respects. Details of the right issue were set out in the prospectus of the Company dated 27th August, 2001.

25. SHARE OPTION SCHEME

In accordance with the Company's share option scheme (the "Scheme"), which was adopted on 28th June, 1994 for a period of 10 years, the primary purpose of which is to provide incentives to directors and eligible employees. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including Director(s) of the Company and its subsidiaries, to subscribe for ordinary shares in the Company, in accordance with the terms of the Scheme.

At 31st December, 2002, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 29,500,000 (2001: Nil), representing 3.2% (2001: Nil) of the shares of the Company in issue at that day. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

No consideration is payable on the grant of an option. Options may be exercised at any time for two years commencing on the expiry of one month after the date the options are granted and shall be expired on the last day of the two years period granted or on 27th June, 2004 whichever is earlier. The subscription price of the option shares shall be a price to be determined by the Directors of the Company, being not less than 80% of the average of the closing prices of the ordinary shares of the Company for the five trading days immediately preceding the date of the offer of the option and the nominal value of the ordinary shares of the Company.



NOTES TO THE FINANCIAL STATEMENT

For the Year Ended 31st December, 2002

25. SHARE OPTION SCHEME (continued)

Details of the movements in the Company's share options during the year are as follows:

	Date of option granted	Exercise period	Exercise price HK	Number of share options granted during the year and outstanding at 31.12.2002
Directors				
Mr. Leung Siu Fai	12th August, 2002	12th September, 2002 - 27th June, 2004	0.347	5,000,000
Mr. Sun Pak Fun	12th August, 2002	12th September, 2002 - 27th June, 2004	0.347	5,000,000
Mr. Kam Hung Chung	12th August, 2002	12th September, 2002 - 27th June, 2004	0.347	5,000,000
Mr. He Yongwen	12th August, 2002	12th September, 2002 - 27th June, 2004	0.347	5,000,000
Total for directors				<u>20,000,000</u>
Employees	12th August, 2002	12th September, 2002 - 27th June, 2004	0.347	9,500,000
Total				<u><u>29,500,000</u></u>

No share options were exercised during the year.

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 STATEMENT

For the Year Ended 31st December, 2002

26. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY HK\$'000
Issue of convertible notes	230,000
Conversion of convertible notes	(31,200)
	<hr/>
At 31st December, 2002	198,800
	<hr/> <hr/>

On 9th May, 2002, the Group issued HK\$230,000,000 convertible notes (the "Notes") which are due on 9th May, 2007 (the "Maturity Date"), bear interest at 1% per annum and in units of HK\$1,000,000 each. The Notes are convertible at the discretion of the holders of the Notes, at any time upon the expiry of 6 months from the date of issue of the Notes up to an including its Maturity Date in whole or in part into shares of HK\$0.10 each in the Company at an initial conversion price of HK\$0.27 per share, subject to adjustment.

During the year, HK\$31,200,000 Notes were converted into shares of the Company at conversion price of HK\$0.27 per share.

The Company shall repay such principal moneys outstanding under the Notes to the holders of the Notes on the Maturity Date together with all interest accrued thereon up to and including the maturity date.

27. PURCHASE OF SUBSIDIARIES

On 9th May, 2002, the Group acquired the entire issued share capital of Can Manage Trading Limited ("Can Manage") at a cash consideration of HK\$131,652,000 and a maximum contingent consideration of HK\$48,000,000 which is payable either in cash or by the issue of convertible notes subject to any adjustment or deduction for future events as set out in the circular of the Company dated 20th March, 2002. The Group also acquired from the former shareholder the unsecured and non-interest bearing loan of HK\$90,348,000 due by Can Manage to the former shareholder at its book value.



NOTES TO THE FINANCIAL STATEMENT

For the Year Ended 31st December, 2002

27. PURCHASE OF SUBSIDIARIES (continued)

On 25th June, 2002, the Group acquired the entire issued share capital of Shi Men Properties Limited ("Shi Men") at a consideration of HK\$1 and also acquired from the former shareholder the unsecured and non-interest bearing loan due by Shi Men at HK\$38,305,000.

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Net assets acquired:		
Property, plant and equipment	110,057	—
Other receivable	17,760	—
Inventories	5,056	—
Trade and other receivables	42,616	—
Bank balances and cash	733	—
Trade and other payables	(20,361)	—
Bank borrowings - due within one year	(8,139)	—
Loans from former shareholders	(128,653)	—
	<u>19,069</u>	<u>—</u>
Goodwill	112,583	—
	<u>131,652</u>	<u>—</u>
Total consideration	<u>131,652</u>	<u>—</u>
Satisfied by:		
Cash	<u>131,652</u>	<u>—</u>
Net cash inflow arising on acquisition:		
Cash consideration	131,652	—
Bank balances and cash acquired	(733)	—
	<u>130,919</u>	<u>—</u>

The subsidiaries acquired during the year contributed to HK\$70,687,000 to the Group's net operating cash flows, utilised HK\$22,521,000 for investing activities and repaid HK\$8,140,000 in respect of financing activities.

The subsidiaries acquired during 2002 had contributed HK\$104,453,000 to the Group's turnover and HK\$53,988,000 to the Group's profit from operations.



NOTES TO THE FINANCIAL STATEMENT

For the Year Ended 31st December, 2002

28. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given for banking facilities made available to a subsidiary	—	—	6,000	—

At the balance sheet date, the extent of banking facilities utilised by the subsidiary amounted to approximately HK\$910,000 (2001: Nil).

In addition, the Group had a maximum contingent consideration of HK\$48,000,000 in respect of the acquisition of the entire issued share capital of Can Manage. Details of the purchase of subsidiaries are set out in note 27.

29. OPERATING LEASE ARRANGEMENTS

	The Group as lessee	
	2002	2001
	HK\$'000	HK\$'000
Minimum lease payments in respect of rented premises under operating leases recognised in income for the year	<u>1,348</u>	<u>1,954</u>

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2002	2001
	HK\$'000	HK\$'000
Within one year	1,854	1,106
In the second to fifth year inclusive	<u>1,948</u>	<u>1,843</u>
	<u>3,802</u>	<u>2,949</u>

Operating lease payments represent rentals payable by the Group for its office premises and factory premises. Leases are negotiated for an average terms of 3 years to 4 years, respectively.



NOTES TO THE FINANCIAL STATEMENT

For the Year Ended 31st December, 2002

29. OPERATING LEASE ARRANGEMENTS *(continued)*

The Group as lessor

The Group's property rental income earned during the year was approximately HK\$3,974,000 (2001: HK\$4,007,000). All of the properties held have committed tenants for the next 2 years.

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

	2002 HK\$'000	2001 HK\$'000
Within one year	1,239	3,294
In the second to fifth year inclusive	472	1,769
	<u>1,711</u>	<u>5,063</u>

30. CAPITAL COMMITMENTS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>2,194</u>	<u>309</u>

The Company had no capital commitments outstanding as at 31st December, 2002 and 2001.

31. PLEDGE OF ASSETS

At 31st December, 2002, the Group's investment properties and bank deposits and all accrued interest thereon amounting to approximately HK\$53,500,000 (2001: HK\$81,600,000) and HK\$10,870,000 (2001: HK\$10,737,000), respectively, were pledged to secure general banking facilities.



NOTES TO THE FINANCIAL STATEMENT

For the Year Ended 31st December, 2002

32. RELATED PARTY TRANSACTIONS AND BALANCE

During the year, the Group entered into the following transactions with related parties:

- (1) The Group paid rental expenses amounting to HK\$1,106,000 (2001: HK\$369,000) to World Shine Enterprises Limited, in which a substantial shareholder of the Company, Ms. Lu Biru has a beneficial interest.

The rental expenses were charged based on the terms of the tenancy agreement agreed between the Group and World Shine Enterprises Limited.

- (2) Two subsidiaries of the Group, Nanhai Jia Shun Timber Company Limited ("Jia Shun") and Nanhai Heng Da Timber Company Limited ("Heng Da") which were acquired during the year, have entered into a power supply agreement (the "Agreement") with Nanhai Hua Guang Decorative Board Company Limited ("Hua Guang"), Nanhai Hua Ying Timer Company Limited ("Hua Ying"), Nanhai Heng Yi Timber Company Limited and Smart Giant Investment Limited in relation to the co-management and co-use of a power plant jointly built by the above parties for the generation of electricity for their own consumption. Pursuant to the Agreement, the quantity of coal used by the power plant in generating electricity for a month is to be shared by the above parties according to the actual amount of electricity consumed by each of the parties for that month. The amount of material costs shared by Jia Shun and Heng Da for their electricity consumed from their respective dates acquired by the Company and up to 31st December, 2002 (the "Period") was HK\$11,798,000. Ms. Lu Biru, a substantial shareholder of the Company, has beneficial interests in Hua Guang and Hua Ying.

Pursuant to the Agreement, Jia Shun and Heng Da are responsible for the following costs relating to the power plant:

Jia Shun is responsible for the supply of land, the building of the power plant and its related ancillary facilities at its own expenses. Such assets with carrying value of HK\$20,001,000 as at 31st December, 2002 and the related depreciation of HK\$401,000 for the Period was recorded in Jia Shun.

Jia Shun and Heng Da are responsible to arrange a total of 60 staff for assisting in the daily operations of the power plant. The wages of the staff and other staff benefits borne by Jia Shun and Heng Da for the Period were HK\$468,000.

Heng Da is also responsible to share 20% of the repair and maintenance work of the power plant and all facilities, including the renovation of the power plant, and the replacement costs of the spare parts in relation to the routine management of the power plant. No such kind of cost was borne by Heng Da for the Period.



NOTES TO THE FINANCIAL STATEMENT

For the Year Ended 31st December, 2002

32. RELATED PARTY TRANSACTIONS AND BALANCE *(continued)*

- (3) On 24th September, 2002, the Group entered into a tenancy agreement with Mr. Feng Ming Chang ("Mr. Feng"), a spouse of Ms. Lu Biru, whereby Mr. Feng agreed to lease the factory and warehouse to the Group for a term of three years. The aggregate rental expenses paid during the year amounting to HK\$207,000.
- (4) Included in trade and other payables is HK\$112,000 (2001: Nil) due to Hua Guang. The amount is unsecured, non-interest bearing and repayable on demand.

33. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2002 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage held %	Principal activity
<i>Direct subsidiary</i>				
China Investments Limited	Hong Kong	HK\$1,000	100	Investment holding
<i>Indirect subsidiaries</i>				
Airlane Development Limited	Hong Kong	HK\$2	100	Property trading
Barmax Development Limited	Hong Kong	HK\$2	100	Property trading
Botex Development Limited	Hong Kong	HK\$2	100	Property trading
Centon Development Limited	Hong Kong	HK\$2	100	Property trading
Charland Investment Limited	Hong Kong	HK\$2	100	Property trading
China Alliance Industries Limited	Hong Kong	HK\$2	100	Property trading
Cyro Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	100	Investment holding
Expert Target Development Limited	Hong Kong	HK\$2	100	Property trading



NOTES TO THE FINANCIAL STATEMENT

For the Year Ended 31st December, 2002

33. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage held %	Principal activity
<i>Indirect subsidiaries (continued)</i>				
Fairwind International Limited	Hong Kong	HK\$2	100	Property development
Greenswood Property Limited	Hong Kong	HK\$2	100	Property investment
Guilin Li-Feng Real Estate Company Ltd. (Note 1)	PRC	RMB8,459,827	100	Property development
Guilin Sight-Seeing Hotel Company Limited (Note 1)	PRC	RMB14,500,000	100	Hotel operations
Nanhai Heng Da Timber Company Limited 南海亨達木業有限公司 (Note 2)	PRC	RMB40,789,076	100	Manufacturing and trading of veneers
Jofra Company Limited	Hong Kong	HK\$1,000	100	Investment holding
Nanhai Jia Shun Timber Company Limited 南海佳順木業有限公司 (Note 2)	PRC	RMB39,800,000	100	Manufacturing and trading of medium density fibreboards
Kawan (HK) Trading Company Limited	Hong Kong	HK\$4,000,000	100	Trading of steels and other materials
Langmax Investment Limited	Hong Kong	HK\$2	100	Property trading
Lina Development Limited	Hong Kong	HK\$2	100	Property trading
Metropolitan Development Limited	Hong Kong	HK\$2	100	Property trading
Rich Asset Development Limited	Hong Kong	HK\$2	100	Property trading
Rich Horn Development Limited	Hong Kong	HK\$2	100	Property trading



NOTES TO THE FINANCIAL STATEMENT

For the Year Ended 31st December, 2002

33. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/operation	Nominal value of issued and fully paid ordinary share capital/registered capital	Percentage held %	Principal activity
<i>Indirect subsidiaries (continued)</i>				
Senicon Investment Limited	Hong Kong	HK\$2	100	Property trading
Sino Sense Development Limited	Hong Kong	HK\$2	100	Property trading
Skyway Limited	Hong Kong	HK\$2	100	Property development
Tremendous World Property Limited	Hong Kong	HK\$2	100	Property trading
Trener Investment Limited	Hong Kong	HK\$2	100	Property trading
Universal Talent Development Limited	Hong Kong	HK\$2	100	Property trading
Wen Ying Investments Limited	Hong Kong	HK\$100	100	Property development
Wise Lite Limited	Hong Kong	HK\$2	100	Property development

Notes:

1. This is a sino-foreign co-operative joint venture.
2. This is a wholly foreign owned enterprise.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected 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.