

Notes to the Financial Statements

For the year ended 31 December 2002

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted limited company. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in the trading and manufacturing, securities and commodities brokerage and trading, margin financing, money lending, provision of corporate advisory and underwriting services, information and technology related businesses, real estate investment and development, implementation and marketing of software applications, magazines publishing and printing businesses, marketing and promotional services, sale of air tickets and provision of other related travel services.

2. BASIS OF PREPARATION

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in the light of its high gearing ratio (total bank borrowings of approximately HK\$473 million to equity of approximately HK\$635 million) of 74% as at 31 December 2002. The directors are satisfied that the Group has sufficient funding and is able to meet in full its liabilities, as and when they fall due, and to continue operating in the next twelve months. Accordingly, the financial statements have been prepared on a going concern basis.

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group adopted a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants for the first time. Adoption of these standards has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 4. In addition, the new and revised standards have introduced additional and revised disclosure requirements have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation. Further details of the effect on adopting these new and revised standards are as follows:

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, the policy previously followed by the Group. 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.

Notes to the Financial Statements

For the year ended 31 December 2002

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

Cash flows statements

In the current year, the Group 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 paid and received and dividends paid, which were previously presented under a separate heading, are classified as operating, investing and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

Employee benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, certain investments in securities and leasehold land and buildings. The financial statements have been prepared 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 31 December each year.

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Notes to the Financial Statements

For the year ended 31 December 2002

4. 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 acquisitions prior to 1 January 2001 continues to be held in reserves, and will be charged to the income statement 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 1 January 2001 is capitalised and amortised on a straight-line basis over its 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.

Negative goodwill

Negative goodwill represents the excess of 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 over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisitions of a subsidiary after 1 January 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance is resulted. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary asset, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of the relevant associate.

Investments in subsidiaries

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

Notes to the Financial Statements

For the year ended 31 December 2002

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill paid on acquisition in so far as it has not already been amortised, less any identified impairment loss.

Property, plant and equipment

Property, plant and equipment other than certain land and buildings and construction in progress are stated at cost less depreciation and amortisation and accumulated impairment losses.

Certain land and buildings are stated in the balance sheet at amounts based on revaluation performed prior to 30 September 1995, less any subsequent accumulated depreciation and amortisation and impairment losses.

The Group has taken advantage of the transitional relief provided by paragraph 80 of SSAP 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. In previous years, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Properties in the course of construction-in-progress for production are carried at cost less any identified impairment loss. Cost includes the original cost of land, construction expenditures incurred, and other costs attributable to the construction of the buildings. Depreciation of these costs, on the same basis as other property assets, commences when the assets are ready for their intended use.

The orchard includes fruit frees, protective covers, water tanks, ditches, roads and others. Cultivation costs during the development period of the orchard are capitalised as construction-in-progress. No depreciation is provided until the commencement of commercial production.

Notes to the Financial Statements

For the year ended 31 December 2002

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation and amortisation is provided to write off the cost or valuation of property, plant and equipment, other than construction in progress 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	Over the lease terms
Buildings	2% to 10%
Furniture and leasehold improvements	10% to 25%
Machinery and equipment	10% to 25%
Moulds and tools	20% to 25%
Motor vehicles and vessels	20% to 33.3%
Orchard	6.7%

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

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 surplus or deficit 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 revaluation deficit over the balance of the investment properties revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance of the investment properties 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, including the renewable period, is 20 years or less.

Property under development

Property under development which is developed for sale is included in non-current assets at the lower of cost or carrying value and estimated net realisable value.

Notes to the Financial Statements

For the year ended 31 December 2002

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land pending development

Land pending development which are acquired pending a definite plan to be developed for sale or long-term investment are stated at cost less any identified impairment losses.

Investments in securities

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

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in the profit or loss for the year. For non-trading securities, unrealised gains and losses are dealt with in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the 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.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributed to the unsold properties.

Trading rights

Trading rights are measured initially at cost and amortised on a straight-line basis over their estimated useful lives.

Revenue recognition

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

Income from provision of system integration services is recognised when the related integration services are rendered. Income from rendering of financial corporate advisory and underwriting services is recognised based on the stage of completion of the transaction, provided that the costs involved can be measured reliably. The stage of completion of a transaction associated with the rendering of financial services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.

Commission and brokerage income is accrued on all brokerage transactions on a trade date basis.

Notes to the Financial Statements

For the year ended 31 December 2002

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Income from trading of securities, bullion and futures contracts is accrued on a trade date basis.

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

Sale of completed properties is recognised on the execution of a binding sale agreement.

Sales of magazines is recognised when the magazines are delivered and title has passed. Advertising income is recognised when the advertisements are published.

Rental income from properties under operating leases is recognised on a straight line basis over the term of the relevant lease.

Service income and management fees are recognised when the services are provided.

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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 at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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 standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

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 borrowings costs ceases when the assets are substantially ready for their intended use or sale.

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

Notes to the Financial Statements

For the year ended 31 December 2002

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong 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 translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

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

Retirement benefits scheme

Payments to the Group's Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Operating leases

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

Notes to the Financial Statements

For the year ended 31 December 2002

5. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties and is summarised as follows:

	2002 HK\$'000	2001 HK\$'000
Sale of merchandise from trading and manufacturing business	1,577,225	1,651,925
Income from publishing and printing and the provision of related services	156,399	209,080
Income from securities and commodities brokerage	46,515	59,441
(Loss) gain from securities, bullion and commodities trading, net	(12,267)	9,643
Interest income from margin financing and money lending operations	56,271	55,638
Income from rendering of financial services	10,814	5,964
Service income from information and technology related business	83,793	108,950
Sale of properties	5,428	3,340
Rental income	11,680	5,067
Sales of air-tickets and travel-related services	44,747	—
	1,980,605	2,109,048

6. RESTRUCTURING COSTS

Restructuring costs represent the following costs incurred in connection with the reorganisation of certain operations of the Group

:

	2002 HK\$'000	2001 HK\$'000
Severance payment	2,000	11,629
Write-off of inventories	—	3,824
Other expenses related to closure of a factory	—	2,277
	2,000	17,730

Notes to the Financial Statements

For the year ended 31 December 2002

7. REALISATION OF WARRANTY SUBSCRIPTION RESERVE OF A SUBSIDIARY

During the year ended 31 December 2001, the warrants of a subsidiary of the Company, South China Brokerage Company Limited ("SCB"), remained unexercised and lapsed. Accordingly, the warrant subscription reserve was realised as income in the income statement in the respective year.

8. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	2002 HK\$'000	2001 HK\$'000
Cost of financial services provided	25,992	38,627
Amortisation of intangible assets included in administrative expenses	1,493	162
Auditors' remuneration	2,977	3,449
Depreciation and amortisation on		
- owned assets	62,944	77,010
- assets held under finance leases	167	629
Loss on disposal of property, plant and equipment	416	156
Staff costs (including director's emoluments)	490,737	547,042
and after crediting:		
Dividend income from listed investments	951	5,622

Notes to the Financial Statements

For the year ended 31 December 2002

9. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2002 HK\$'000	2001 HK\$'000
Directors' fees:		
Executive	160	190
Independent non-executive	190	190
Other emoluments for executive directors		
Salaries and other benefits	6,723	8,600
Contribution to retirement benefits scheme	331	406
Total emoluments	7,404	9,386

The emoluments of the directors were within the following bands:

	2002 Number of directors	2001 Number of directors
Up to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	2	—
HK\$2,000,001 to HK\$2,500,000	1	—
HK\$2,500,001 to HK\$3,000,000	—	3
	7	7

Notes to the Financial Statements

For the year ended 31 December 2002

9. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five highest paid individuals in the Group, two (2001: three) were directors of the Company whose emoluments are included the disclosures in note (a) above. The emoluments of the remaining three (2001: two) individuals were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	8,037	4,970
Discretionary bonus	—	4,465
Contribution to retirement benefits scheme	223	120
	8,260	9,555

Their remuneration were within the following bands:

	2002 Number of employees	2001 Number of employees
HK\$2,000,000 to HK\$2,500,000	1	—
HK\$2,500,001 to HK\$3,000,000	2	1
HK\$6,500,001 to HK\$7,000,000	—	1
	3	2

During the years ended 31 December 2002 and 2001, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived any emoluments during the year.

Notes to the Financial Statements

For the year ended 31 December 2002

10. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest expense on		
- bank loans and overdrafts wholly repayable within five years	14,715	20,003
- bank loans not wholly repayable within five years	—	730
- finance leases	120	259
- advances from related parties	267	283
Total borrowing costs	15,102	21,275

11. LOSS ON INTERESTS IN ASSOCIATES

Loss on interests in associates comprises:

	2002 HK\$'000	2001 HK\$'000
Gain on disposal of an associate	—	147
Income arising from realization of negative goodwill	—	686
	—	833
Allowance for advances to associates	(75,000)	(36,025)
	(75,000)	(35,192)

12. NET GAIN ON DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Gain on dilution and disposal of interest in SCIT (note i)	91,201	—
Gain on dilution of interest in WSE (note ii)	8,956	—
(Loss) gain on disposal of other subsidiaries	(361)	33
	99,796	33

Notes to the Financial Statements

For the year ended 31 December 2002

12. NET GAIN ON DISPOSAL OF SUBSIDIARIES (Continued)

Notes:

- (i) During the year, the interest of South China Industries Limited ("SCI"), a 74.7% owned subsidiary of the Company, in South China Information and Technology Limited ("SCIT") was diluted from 70.35% to 7.17% as a result of subscription of new shares in SCIT by a new shareholder. The dilution gave rise to a deemed gain of approximately HK\$67.2 million to the Group. Details of this transaction are set out in SCI's circular dated 7 June 2002.

The Group further disposed part of its remaining interest in SCIT and recorded an additional gain of approximately HK\$24 million for the year.

- (ii) During the year, SCI disposed of its interest in Wah Shing Electronics Company Limited ("WSE") to a wholly owned subsidiary of Wah Shing International Holdings Limited ("Wah Shing"). Consequently, SCI's effective interest in WSE was diluted from 59.0% to 35.9%. The dilution gave rise to a deemed gain to the Group of approximately HK\$9 million.

13. TAXATION

	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Hong Kong Profits tax		
Current year	760	2,939
Underprovision in prior years	624	32,602
Income tax from other regions in the People's Republic of China (the "PRC")	1,605	750
Others	185	—
Deferred taxation (<i>note 36</i>)	(577)	(12)
	2,597	36,279
Share of taxation attributable to associates	(3,716)	309
	(1,119)	36,588

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for the year. The PRC enterprise income tax is calculated at the rates prevailing in the relevant regions.

Notes to the Financial Statements

For the year ended 31 December 2002

13. TAXATION (Continued)

The underprovision of Hong Kong Profits Tax in 2001 was resulted from a field audit carried out by the Hong Kong Inland Revenue Department (“HKIRD”) regarding the transfer pricing policy of Wah Shing and its subsidiaries. Wah Shing agreed with the HKIRD on a final settlement of approximately HK\$39,229,000 for additional charges in respect of the years of assessment 1994/1995 to 1999/2000, which was charged to taxation for the year ended 31 December 2001, net of HK\$6,627,000 already provided.

Details of the potential deferred tax charge not provided in the year are set out in note 36.

14. DIVIDENDS

	2002 HK\$'000	2001 HK\$'000
Interim dividend of nil (2001: HK0.10 cent per share)	—	1,823
Special dividends paid (note)	3,608	509
	3,608	2,332

Note:

In 2001, the board of directors paid a special dividend of HK0.0279 cent to the then shareholders (HK\$509,000 in aggregate) and paid in specie on the basis of one share of Jessica Publications Limited (“JPL”), a former wholly-owned subsidiary of the Company, for every share held by the shareholders on 10 September 2001.

In 2002, the board of directors paid a special dividend of approximately HK0.1371 cent to the then shareholders (HK\$2,500,000 in aggregate) and paid in specie on the basis of one share of Jinchang Pharmaceutical Holdings Limited (“Jinchang”), a former wholly-owned subsidiary of the Company, for every eight shares held by the shareholders on 22 February 2002.

In addition, the board of directors paid another special dividend of approximately HK0.0608 cent to the then shareholders (HK\$1,108,000 in aggregate) and paid in specie on the basis of one share of Capital Publications Limited (“CPL”), a former wholly-owned subsidiary of the Company, for every four shares held by the shareholders on 25 February 2002.

The entire issued share capital of JPL, Jinchang and CPL held by the Group were fully distributed in the above distributions.

Notes to the Financial Statements

For the year ended 31 December 2002

15. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of approximately HK\$186,970,000 (2001: HK\$187,031,000) and on 1,823,401,376 (2001: the weighted average number of 1,822,874,061) shares in issue during the year.

No diluted earning loss per share is presented as there was no dilutive potential ordinary shares in existence during both years.

Notes to the Financial Statements

For the year ended 31 December 2002

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Furniture and leasehold improvement HK\$'000	Machinery and equipment HK\$'000	Moulds and tools HK\$'000	Motor vehicles and vessels HK\$'000	Orchard HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP								
COST OR VALUATION								
At 1 January 2002	409,734	273,881	322,319	24,883	31,442	20,526	22,693	1,105,478
Exchange realignment	—	91	—	—	—	—	—	91
Additions	44	21,812	8,973	603	1,673	—	1,091	34,196
Acquired on acquisition of subsidiaries	—	1,030	1,348	—	63	—	—	2,441
Disposals	—	(33,897)	(43,413)	(32)	(2,477)	—	(16)	(79,835)
Attributable to disposal/ distribution of subsidiaries	(5,740)	(4,296)	(4,369)	—	(1,577)	—	(4,602)	(20,584)
Attributable to a subsidiary reclassified as an associate	(14,840)	(1,765)	(10,454)	—	(867)	—	—	(27,926)
Transfer to investment properties	(104,157)	—	—	—	—	—	—	(104,157)
Reclassifications	15	—	—	—	—	—	(15)	—
At 31 December 2002	285,056	256,856	274,404	25,454	28,257	20,526	19,151	909,704
Comprising:								
At cost	228,047	256,856	274,404	25,454	28,257	20,526	19,151	852,695
At valuation								
- 1988	31,112	—	—	—	—	—	—	31,112
- 1989	5,220	—	—	—	—	—	—	5,220
- 1991	9,500	—	—	—	—	—	—	9,500
- 1992	204	—	—	—	—	—	—	204
- 1994	10,973	—	—	—	—	—	—	10,973
	285,056	256,856	274,404	25,454	28,257	20,526	19,151	909,704
DEPRECIATION AND AMORTISATION								
At 1 January 2002	69,581	203,514	264,045	22,657	27,502	2,128	—	589,427
Exchange realignment	—	70	—	—	—	—	—	70
Provided for the year	9,943	27,741	20,342	1,127	2,060	1,898	—	63,111
Eliminated on disposals	—	(30,778)	(39,231)	(32)	(2,427)	—	—	(72,468)
Attributable to disposal/ distribution of subsidiaries	(820)	(1,687)	(1,590)	—	(551)	—	—	(4,648)
Attributable to a subsidiary reclassified as an associate	(8,477)	(1,477)	(10,362)	—	(512)	—	—	(20,828)
Transfer to investment properties	(4,487)	—	—	—	—	—	—	(4,487)
At 31 December 2002	65,740	197,383	233,204	23,752	26,072	4,026	—	550,177
NET BOOK VALUE								
At 31 December 2002	219,316	59,473	41,200	1,702	2,185	16,500	19,151	359,527
At 31 December 2001	340,153	70,367	58,274	2,226	3,940	18,398	22,693	516,051

Notes to the Financial Statements

For the year ended 31 December 2002

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book value of land and buildings held by the Group at the balance sheet date comprises:

	2002 HK\$'000	2001 HK\$'000
Hong Kong		
- held under medium-term leases	84,428	180,008
The PRC		
- held under medium-term land use rights	26,577	59,552
- in the process of applying land use rights	108,311	100,593
	219,316	340,153

Certain land and buildings are stated at revalued amounts. Had those land and buildings been carried at cost less accumulated depreciation and impairment loss, the net book value of the Group's land and buildings as at 31 December 2002 would have been approximately HK\$216 million (2001: HK\$216 million).

Construction-in-progress primarily comprises construction costs incurred for the development of the orchard amounting to approximately HK\$18.8 million (2001: HK\$17.7 million).

The carrying amount of the Group's property, plant and equipment includes an amount of approximately HK\$1,744,000 (2001: Nil) in respect of assets held under finance leases.

17. INVESTMENT PROPERTIES

	HK\$'000
VALUATION	
At 1 January 2002	174,817
Acquisition of subsidiaries	2,100
Transferred from property under development	17,882
Transferred from property, plant and equipment	99,670
Deficit on revaluation charged to income statement	(23,549)
At 31 December 2002	270,920

Investment properties were valued at their open market value at 31 December 2002 by BMI Appraisals Limited and LCH (Asia-Pacific) Surveyors Ltd., independent firms of qualified valuers.

As at 31 December 2002, certain investment properties of the Group with carrying value of approximately HK\$196 million (2001: HK\$139 million) are rented out under operating leases.

Notes to the Financial Statements

For the year ended 31 December 2002

17. INVESTMENT PROPERTIES (Continued)

The carrying amount of investment properties comprises:

	2002 HK\$'000	2001 HK\$'000
Hong Kong		
Medium-term leases	240,960	137,567
Long-term leases	20,300	37,250
	261,260	174,817
The PRC		
Medium-term land use rights	9,660	—
	270,920	174,817

18. PROPERTY UNDER DEVELOPMENT

During the year, development of the properties was completed and accordingly they were transferred to investment properties.

19. LAND PENDING DEVELOPMENT

The land pending development is analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Held under long-term leases in Hong Kong	13,402	13,402
Held under medium-term land use rights in the PRC	21,338	23,257
In the process of applying land use rights in the PRC	6,622	43,976
	41,362	80,635

Notes to the Financial Statements

For the year ended 31 December 2002

20. INTERESTS IN SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	527,702	527,702
Loans to subsidiaries	287,211	291,618
	814,913	819,320

The loans to subsidiaries are unsecured and have no fixed repayment terms. Other than an amount of HK\$7,000,000 (2001: HK\$7,000,000) which carries interest at 3% above the Hong Kong prime lending rate, the amounts are interest-free. In the opinion of the directors, loans to subsidiaries will not be repaid in the next twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

Details of the principal subsidiaries are set out in note 50.

21. INTERESTS IN ASSOCIATES

	2002 HK\$'000	2001 HK\$'000
Share of net assets		
- a listed associate in Hong Kong	108,087	111,258
- unlisted associates	53,033	82,888
	161,120	194,146
Less: Impairment loss recognised	(3,341)	(3,341)
	157,779	190,805
Loans to associates	282,341	272,284
Less: Allowance for bad and doubtful debts	(103,543)	(36,025)
	178,798	236,259
	336,577	427,064
Market value of listed shares	62,765	108,413

Notes to the Financial Statements

For the year ended 31 December 2002

21. INTERESTS IN ASSOCIATES (Continued)

The loans to associates are unsecured and has no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and accordingly, they are shown in the balance sheet as non-current. Except the loans to Firm Wise Investment Limited (before provision) of approximately HK\$260 million (2001: HK\$247 million) carrying interest at 0.5% per annum, the remaining balances are interest-free.

Details of the principal associates are set out in note 51.

22. LOANS AND ADVANCES RECEIVABLE

	2002 HK\$'000	2001 HK\$'000
Loans and advances to customers	369,203	386,715
Allowance for bad and doubtful debts	(137,366)	(100,761)
	231,837	285,954
Market value of collateral at 31st December	438,365	435,261

As at 31 December 2002, certain collateral of customers was pledged to secure banking facilities granted to the Group (note 45).

As the balance sheet date, analysis of the maturity profile of loans and advances to customers, net of allowance for bad and doubtful debts, by remaining periods to their contractual maturity dates is as follows:

	2002 HK\$'000	2001 HK\$'000
Repayable:		
On demand	173,893	166,415
Within three months	27,269	44,418
More than three months but not exceeding one year	28,076	60,955
More than one year but not exceeding five years	2,599	13,485
	231,837	285,273
Analysed as:		
Non-current loans and advances receivable	2,599	13,485
Current loans and advances receivable	229,238	271,788
	231,837	285,273

Notes to the Financial Statements

For the year ended 31 December 2002

23. NON-TRADING SECURITIES

	2002 HK\$'000	2001 HK\$'000
Equity securities listed in Hong Kong, at market value	42,666	80,340
Unlisted equity securities, at fair value	1,914	901
	44,580	81,241

24. OTHER NON-CURRENT ASSETS

	2002 HK\$'000	2001 HK\$'000
Club membership	1,280	1,280
Statutory deposits in respect of securities and commodities dealings	4,397	4,450
Berths and yacht club debentures	33,610	33,610
Others	360	3,546
	39,647	42,886

25. INTANGIBLE ASSETS

	Trading rights HK\$'000	Goodwill HK\$'000	Total HK\$'000
COST			
At 1 January 2002	1,619	—	1,619
Arising on acquisition of subsidiaries/ additional interest in a subsidiary	—	8,029	8,029
At 31 December 2002	1,619	8,029	9,648
AMORTISATION			
At 1 January 2002	297	—	297
Provided for the year	162	1,331	1,493
At 31 December 2002	459	1,331	1,790
NET BOOK VALUE			
At 31 December 2002	1,160	6,698	7,858
At 31 December 2001	1,322	—	1,322

The trading rights are those relating to trading in stocks and futures in Hong Kong.

The Group's intangible assets are amortised over a period ranging from 5 to 10 years on a straight line basis.

Notes to the Financial Statements

For the year ended 31 December 2002

26. INVENTORIES

	2002 HK\$'000	2001 HK\$'000
Raw materials	88,511	81,020
Work-in-progress	79,973	70,115
Finished goods	53,249	66,593
	221,733	217,728

Included above are finished goods of HK\$1,770,000 (2001: HK\$6,154,000) carried at net realisable value.

The cost of inventories recognised as expenses in income statement was approximately HK\$1,568 million (2001: HK\$1,700 million).

27. PROPERTIES HELD FOR SALE

The properties are situated in the PRC and are analysed as follow:

	2002 HK\$'000	2001 HK\$'000
Held under medium-term land use rights	16,500	24,294
In the process of applying land use rights	—	28,737
	16,500	53,031

28. TRADING SECURITIES

	2002 HK\$'000	2001 HK\$'000
Listed securities, at market value		
- Hong Kong	38,342	99,620
- Others	514	341
	38,856	99,961

Notes to the Financial Statements

For the year ended 31 December 2002

29. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$346,982,000 (2001: HK\$227,523,000) and their aged analysis is as follows:

	2002 HK\$'000	2001 HK\$'000
Within 180 days	345,130	225,563
181 to 365 days	1,852	1,960
	346,982	227,523

The Group has a policy of granting credit period ranging from 30 days to 90 days to its customers. The credit period granted depends on a number of factors including trade practices, collection history and location of customers.

30. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payable of HK\$482,364,000 (2001: HK\$510,533,000) and their aged analysis is as follows:

	2002 HK\$'000	2001 HK\$'000
Within 180 days	423,471	479,676
181 to 365 days	24,933	20,232
Over 365 days	33,960	10,625
	482,364	510,533

Notes to the Financial Statements

For the year ended 31 December 2002

31. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Short-term loans	99,117	321,544	—	—
Long-term loans	223,570	174,554	—	—
Bank overdrafts	65,272	35,101	7,000	7,000
Import trust receipts bank loans	84,830	70,068	—	—
	472,789	601,267	7,000	7,000
Analysed as:				
Secured	377,495	517,761	7,000	7,000
Unsecured	95,294	83,506	—	—
	472,789	601,267	7,000	7,000

The maturity profile of the above loans and overdrafts is as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	369,977	462,026	7,000	7,000
More than one year but not exceeding two years	34,870	45,334	—	—
More than two years but not exceeding five years	37,271	61,322	—	—
Over five years	30,671	32,585	—	—
	472,789	601,267	7,000	7,000
Less: Amounts due within one year shown under current liabilities	(369,977)	(462,026)	(7,000)	(7,000)
Amounts due after one year	102,812	139,241	—	—

Notes to the Financial Statements

For the year ended 31 December 2002

32. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
THE GROUP				
Amounts payable under finance leases:				
Within one year	1,165	—	1,037	—
In the second to fifth years inclusive	1,791	—	1,631	—
	2,956	—	2,668	—
Less: Future finance charges	(288)	—	—	—
Present value of lease obligations	2,668	—	2,668	—
Less: Amount due for settlement within one year shown under current liabilities			(1,037)	—
Amounts due after one year			1,631	—

The average lease term is 4 to 4.5 years. For the year ended 31 December 2002, the average annual effective borrowing rates were 2.75 to 2.9 per cent. 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.

All lease obligations are denominated in Hong Kong dollar.

The fair value of the Group's lease obligations approximates their carrying amount.

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

Notes to the Financial Statements

For the year ended 31 December 2002

33. SHARE CAPITAL AND WARRANTS

(a) Share capital

	Number of ordinary shares	Nominal value HK\$'000
Ordinary shares of HK\$0.025 each		
Authorised:		
At 1 January 2001	1,000,000,000	100,000
Share subdivision	3,000,000,000	—
	<hr/>	
At 31 December 2001 and 31 December 2002	4,000,000,000	100,000
	<hr/>	
Issued and fully paid:		
At 1 January 2001	455,662,688	45,566
Share subdivision	1,366,988,064	—
Issue of shares	750,624	18
	<hr/>	
At 31 December 2001 and 31 December 2002	1,823,401,376	45,584
	<hr/>	

(b) Warrants

Pursuant to a resolution passed at an extraordinary general meeting of the Company held on 22 July 2002, the Company made a bonus issue of 364,680,275 warrants ("2003 Warrants") to existing shareholders on the basis of one unit of subscription rights of the 2003 Warrants for every five shares held by the shareholders on the same day. Holders of the 2003 Warrants are entitled to subscribe in cash for ordinary shares in the Company at a subscription price of HK\$0.42 each (subject to adjustment) for each unit of 2003 Warrant held. The 2003 Warrants are exercisable at any time on or before 23 July 2003.

At 31 December 2002, none of the 2003 Warrants had been exercised. Exercise in full of such warrants would result in the issue of approximately 364,680,275 new shares of HK\$0.025 each in the Company and the receipt by the Company of approximately HK\$153 million, before expenses.

Notes to the Financial Statements

For the year ended 31 December 2002

34. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated profits (deficit) HK\$'000	Total HK\$'000
At 1 January 2001	252,840	56	486,429	(20,468)	718,857
Premium on issue of new shares	394	—	—	—	394
Transferred to accumulated profits	—	—	(200,000)	200,000	—
Net profit for the year	—	—	—	50,202	50,202
Dividends (note 14)	—	—	—	(2,332)	(2,332)
At 31 December 2001	253,234	56	286,429	227,402	767,121
Net loss for the year	—	—	—	(1,169)	(1,169)
Dividends (note 14)	—	—	—	(3,608)	(3,608)
At 31 December 2002	253,234	56	286,429	222,625	762,344

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal value of the Company's shares issued for the acquisition at the time of a group reorganization in 1992.

The Company's reserves available for distribution represent the share premium, contributed surplus and accumulated profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as the full due in the ordinary course of business. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2002 amounted to approximately HK\$762 million (2001: HK\$767 million).

During the year ended 31 December 2001, the Company transferred an aggregate amount of HK\$200 million from the contributed surplus account to the accumulated profits account.

35. ADVANCES FROM ASSOCIATES / MINORITY SHAREHOLDERS

The advances are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and accordingly, they are shown in the balance sheet as non-current.

Notes to the Financial Statements

For the year ended 31 December 2002

36. DEFERRED TAXATION

	2002 HK\$'000	2001 HK\$'000
Balance at 1 January	1,330	1,342
Credit for the year (note 13)	(577)	(12)
Balance at 31 December	753	1,330

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

	Provided		Unprovided	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The effect of timing differences because of:				
Excess of tax allowances over depreciation	753	1,330	420	—
Unutilised tax losses	—	—	(81,719)	(30,767)
	753	1,330	(81,299)	(30,767)

A deferred tax 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.

Deferred tax has not been provided on the revaluation surplus arising on the revaluation of land and buildings, investment properties and non-trading securities as profits arising on the disposal of those assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purpose.

Notes to the Financial Statements

For the year ended 31 December 2002

37. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired the entire issued share capital of Four Seas Travel Investments Limited ("FSTIL") for a consideration of HK\$500,000. FSTIL is an investment holding company. Its subsidiaries are principally engaged in the business of sale of air tickets and provision of travel related services. Details of the acquisition are as follows:

	2002 HK\$'000	2001 HK\$'000
NET ASSETS ACQUIRED:		
Property, plant and equipment	2,441	279
Investment properties	2,100	99,630
Inventories	—	978
Properties held for sale	—	19,500
Trade and other receivables	60,865	2,851
Pledged time deposit	10,000	—
Bank balances and cash	6,932	1,362
Trade and other payables	(58,722)	(7,664)
Bank overdrafts	(29,147)	(92,169)
Long-term bank borrowings	—	(7,822)
	(5,531)	16,945
Goodwill on acquisition	6,031	625
Negative goodwill on acquisition and recognised as income	—	(686)
Total consideration	500	16,884
SATISFIED BY		
Cash	500	16,884
Net cash outflow from acquisition of subsidiaries is as follows:		
Bank balances and cash	6,932	1,362
Bank overdrafts	(29,147)	—
Cash consideration paid	(500)	(16,884)
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	(22,715)	(15,522)

The subsidiaries acquired during the year contributed approximately HK\$44,747,000 to the Group's turnover and approximately HK\$1,494,000 to the Group's loss from operations.

Notes to the Financial Statements

For the year ended 31 December 2002

38. DISTRIBUTION OF SUBSIDIARIES IN SPECIE

	2002 HK\$'000	2001 HK\$'000
NET ASSETS DISTRIBUTED:		
Property, plant and equipment	9,494	100
Other non-current assets	1,531	—
Inventories	1,656	—
Trade and other receivables	13,493	3,393
Bank balances and cash	7,085	12
Trade and other payables	(6,477)	(6,414)
Amounts due (to) from related companies	(4,238)	3,418
Short-term bank loans	(10,235)	—
Other non-current liabilities	(2,951)	—
Minority interests	(4,837)	—
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Group's share of net assets disposed of	4,521	509
Capital reserve recognised on disposal	(913)	—
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Total consideration	3,608	509
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SATISFIED BY		
Dividend in specie	3,608	509
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Cash outflow from distribution of subsidiaries is as follows:		
Bank balances and cash disposed of	(7,085)	(12)
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The subsidiaries disposed of during the year had no significant contributions to the Group's turnover and loss from operations.

Notes to the Financial Statements

For the year ended 31 December 2002

39. RECLASSIFICATION OF A SUBSIDIARY TO AN ASSOCIATE

During the year, a subsidiary of the Company, South China (Tianjin) Garment Co. Ltd. ("TJ Garment") was reclassified from a subsidiary to an associate as the directors of the Company considered they can only exercise significant influence over TJ Garment and accordingly the Company was reclassified as an associate. Details of the reclassification are as follows:

	2002 HK\$'000	2001 HK\$'000
NET LIABILITIES RECLASSIFIED:		
Property, plant and equipment	7,098	—
Inventories	5,162	—
Trade and other receivables	3,876	—
Bank balances and cash	394	—
Trade and other payables	(13,943)	—
Bank borrowings due within one year	(5,634)	—
Net liabilities of the subsidiary reclassified as an associate	(3,047)	—
Net cash outflow arising from the reclassification	(394)	—

Notes to the Financial Statements

For the year ended 31 December 2002

40. DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
NET ASSETS DISPOSED OF:		
Land pending development	43,976	—
Property, plant and equipment	6,442	1,075
Inventories	15,978	818
Property held for sale	26,737	
Trade and other receivables	13,629	2,088
Bank balances and cash	12,668	992
Trade and other payables	(118,557)	(1,145)
Taxation	(524)	—
Long-term bank loans	(1,464)	—
Minority interests	(35,118)	(1,281)
Transfer to interest in an associate	(1,270)	—
Group's share of net assets disposed of	(37,503)	2,547
PRC statutory reserve realised on disposal	(11)	—
Translation reserve realised on disposal	(1,158)	—
Net gain on disposal of subsidiaries	90,840	33
Total consideration	52,168	2,580
SATISFIED BY		
Cash	34,157	—
Other receivable	18,011	—
Amount due from a related company	—	2,580
	52,168	2,580
Net cash inflow (outflow) from disposal of subsidiaries is as follows:		
Bank balances and cash disposed of	(12,668)	(992)
Cash consideration received	34,157	—
Net cash inflow (outflow) from disposal of subsidiaries	21,489	(992)

The subsidiaries disposed of during the year contributed approximately HK\$47,805,000 (2001: HK\$66,697,000) to the Group's turnover and approximately HK\$173,000 (2001: HK\$1,014,000) to the Group's loss from operations.

Notes to the Financial Statements

For the year ended 31 December 2002

41. RELATED PARTY DISCLOSURES

- (a) During the year, the Group had significant transactions with related parties as follows:

Name of related party	Nature of transaction	2002 HK\$'000	2001 HK\$'000
Associates	Interest income received (note i)	2,453	6,775
	Management fees received (note iii)	3,320	5,850
JPL and CPL (note ii)	Staff costs received (note iii)	471	1,958
	Phototaking services fees received (note iii)	470	723
	Printing fee received (note iii)	—	486
	Underwriting and corporate finance services fees received (note iii)	1,298	—
	Management fees received (note iii)	2,363	1,434

In the opinion of the directors, the above related party transactions were carried out in the usual course of business of the Group.

Notes:

- i. Interest was charged at 0.5% on the outstanding advances to an associate.
 - ii. Mr. Ng Hung Sang, Robert, a director of the Company, is also a director and substantial shareholder of JPL and CPL.
 - iii. These transactions were carried out on terms determined and agreed by both parties.
- (b) Details of amounts due from related companies are as follows:

	Balance at 31.12.2002 HK\$'000	Balance at 1.1.2002 HK\$'000	Maximum amount outstanding during the year HK\$'000
Anwell Profits Limited ("Anwell")	—	2,580	2,580
JPL	35	459	459
	35	3,039	

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

Anwell and JPL are beneficially owned by Mr. Ng Hung Sang, Robert, a director of the Company.

- (c) The Group has provided a guarantee of HK\$174 million (2001: HK\$174 million) to secure banking facilities granted to an associate.

Notes to the Financial Statements

For the year ended 31 December 2002

42. OPERATING LEASES

The Group as lessee

The minimum lease payments paid for premises under operating leases during the year was approximately HK\$20,364,000 (2001: HK\$26,998,000).

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	14,339	14,079
In the second to fifth year inclusive	20,137	11,506
Over five years	67,050	74,650
	101,526	100,235

Operating leases payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 months to 50 years and rentals are fixed for an average of 1 to 50 years.

The Group as lessor

Property rental income earned during the year was approximately HK\$11,680,000 (2001: HK\$5,067,000). The properties are expected to generate rental yields of 10% on an ongoing basis. All of the properties held have committed tenants up to the next six years.

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	11,742	5,657
In the second to fifth year inclusive	11,866	4,978
Over five years	2,051	662
	25,659	11,297

Notes to the Financial Statements

For the year ended 31 December 2002

43. CAPITAL COMMITMENTS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Capital expenditure contracted but not provided for in the financial statements in respect of:		
Acquisition of property, plant and equipment	7,372	13,009
Acquisition of land use rights	8,192	8,331
	15,564	21,340
Capital expenditure in respect of properties under development authorised but not contracted for	22,282	36,178
	37,846	57,518

As at 31 December 2002, the Company did not have any significant capital commitments.

44. CONTINGENT LIABILITIES

Contingent liabilities not provided for in the financial statements comprise:

(i) *Guarantees to banks:*

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Guarantees given to banks for banking facilities granted to an associate, Firm Wise Investment Limited	174,000	174,000
Undertaking to a former associate for banking facilities granted to an associate	23,250	23,250
	197,250	197,250

Notes to the Financial Statements

For the year ended 31 December 2002

44. CONTINGENT LIABILITIES (Continued)

(ii) Outstanding litigations

- (a) An Intermediate People's Court of Dongguan, the PRC (the "Court") had delivered a judgment and ordered the Group to effectively dissolve a subsidiary (the "Dongguan Subsidiary") and share the assets and liabilities of the Dongguan Subsidiary with the minority shareholder as the Court directed. Based on this judgment, the Group could suffer a net loss of investment of approximately HK\$8 million. Based on advice from its legal counsel, the Group has appealed against the judgment and also counter claimed against the minority shareholder for breach of contract and refund of investment amounts. Having taken legal advice, the directors believe that the Group has sufficient evidence and legal bases for its appeal and counter claims. Accordingly, no provision for loss has been made in the financial statements.
- (b) In the course of its normal business, the Group also had other outstanding claims and counter claims arising from its investment and operating activities. In the opinion of the directors, ultimate resolution of these claims and counter claims will not have a material impact on its financial position or the results for the year.

45. BANKING FACILITIES AND PLEDGES OF ASSETS

At 31 December 2002, certain of the Group's assets were pledged to secure the banking facilities granted to the Group, as follows:

	2002 HK\$'000	2001 HK\$'000
Net book value of assets pledged:		
Property, plant and equipment	92,084	180,008
Investment properties	261,260	171,917
Property under development	—	17,882
Land pending development	13,402	13,402
Inventories	81,522	60,436
Bank deposits	12,588	1,500
	460,856	445,145
Market value of listed securities of the Group and certain collateral of the client's of the Group placed on margin accounts in connection with the Group's securities and commodities brokerage business	318,148	447,753
	779,004	892,898

Notes to the Financial Statements

For the year ended 31 December 2002

46. SHARE OPTION SCHEMES

The directors and employees of the Company and its subsidiaries are entitled to participate in share option schemes operated by the Company and its subsidiaries. Details of these schemes are as follows:

(a) *Old share option scheme of the Company - ("SCH Old Scheme")*

The share option scheme of the Company (the "SCH Old Scheme") was adopted on 29 July 1992 for the primary purpose of providing incentives to executive directors and eligible employees of the Company or its subsidiaries. It expired on 29 July 2002.

Under the SCH Old Scheme, the board of directors of the Company could grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. Options granted had to be accepted within 21 days from the date of offer.

Under the SCH Old Scheme, the exercise price was to be determined by the board of directors of the Company, and could not be less than the higher of (i) 80% of the average closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of offer; and (ii) the nominal value of the Company's shares.

Without prior approval from the Company's shareholders or in other cases, a prior approval from the Stock Exchange, the total number of shares in respect of which options could be granted under the SCH Old Scheme was not permitted to exceed 10% of the shares of the Company in issue at any point in time.

No employee could be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued under all the options previously granted to him which had been exercised, and, issuable under all the options previously granted to him which were for the time being subsisting and unexercised, would exceed 25% of the aggregate number of shares for the time being issued and issuable under the SCH Old Scheme.

Subject to the provisions of the SCH Old Scheme, an option may be exercised at any time commencing one year after the commencement date of the relevant option by the option holder for so long as he remains an Eligible Person (as defined) in the following manner:

- (i) 50 percent of the option is exercisable in whole or in part at the subscription price within the period from the 13th month to the 24th month from the commencement date;
- (ii) a further 30 percent of the option is exercisable in whole or in part at the subscription price within the period from the 25th month to the 36th month from the commencement date; and
- (iii) the remaining 20 percent of the option is exercisable in whole or in part at the subscription price within the period from the 37th month to the 48th month from the commencement date.

Notes to the Financial Statements

For the year ended 31 December 2002

46. SHARE OPTION SCHEMES (Continued)

(a) Old share option scheme of the Company - ("SCH Old Scheme") (Continued)

The following table discloses details of the Company's options under the SCH Old Scheme held by employees (including directors) and movements in such holdings during each of the two years ended 31 December 2002:

Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.1.2002	Lapsed during the year	Outstanding at 31.12.2002
29.7.1992	29.7.1993-28.7.2002	1.36	47,260,000	(47,260,000)	—
22.7.1995	22.7.1996-28.7.2002	0.88	18,000,000	(18,000,000)	—
			65,260,000	(65,260,000)	—

Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.1.2001	Lapsed during the year	Outstanding at 31.12.2001
29.7.1992	29.7.1993-28.7.2002	1.36	47,712,000	(452,000)	47,260,000
22.7.1995	22.7.1996-28.7.2002	0.88	18,000,000	—	18,000,000
			65,712,000	(452,000)	65,260,000

All options lapsed on 29 July 2002 when SCH Old Scheme expired.

(b) Old share option scheme of a subsidiary - SCI ("SCI Old Scheme")

The share option scheme of SCI (the "SCI Old Scheme") was adopted on 10 August 1992 for the primary purpose of providing incentives to directors and eligible employees. The SCI Old Scheme expired on 10 August 2002.

Under the SCI Old Scheme, the board of directors of SCI could grant options to eligible employees, including directors of SCI and its subsidiaries, to subscribe for shares in SCI for a consideration of HK\$1 for each lot of share options granted. Options granted had to be accepted within 21 days from the date of offer.

Notes to the Financial Statements

For the year ended 31 December 2002

46. SHARE OPTION SCHEMES (Continued)

(b) Old share option scheme of a subsidiary - SCI ("SCI Old Scheme") (Continued)

The exercise price was to be determined by the board of directors of SCI, and could not be less than the higher of (i) 80% of the average closing price of SCI's shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of offer; and (ii) the nominal value of SCI's shares.

The total number of shares in respect of which options could be granted under the SCI Old Scheme was not permitted to exceed 10% of the shares of SCI in issue at any point in time, without prior approval from SCI's shareholders.

No employee of SCI could be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued under all the options previously granted to him which had been exercised, and, issuable under all the options previously granted to him which were for the time being subsisting and unexercised, would exceed 25% of the aggregate number of shares for the time being issued and issuable under the SCI Old Scheme.

Subject to the provisions of the SCI Old Scheme, an option may be exercised at any time commencing one year after the commencement date of the relevant option by the option holder for so long as he remains as an Eligible Person (as defined) in the following manner:

- (i) 50 percent of the option is exercisable in whole or in part at the subscription price within the period from the 13th month to the 24th month from the commencement date;
- (ii) a further 30 percent of the option is exercisable in whole or in part at the subscription price within the period from the 25th month to the 36th month from the commencement date; and
- (iii) the remaining 20 percent of the option is exercisable in whole or in part at the subscription price within the period from the 37th month to the 48th month from the commencement date.

Notes to the Financial Statements

For the year ended 31 December 2002

46. SHARE OPTION SCHEMES (Continued)

(b) Old share option scheme of a subsidiary - SCI ("SCI Old Scheme") (Continued)

The following tables disclose details of SCI's options under the SCI Old Scheme held by employees (including directors) and movements in such holdings during each of the two years ended 31 December 2002:

Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.1.2002	Lapsed/cancelled during the year	Outstanding at 31.12.2002
23.12.1993	23.12.1994-9.8.2002	1.18	41,185,000	(41,185,000)	—
18.1.1995	18.1.1996-9.8.2002	0.78	402,500	(402,500)	—
			41,587,500	(41,587,500)	—

Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.1.2001	Lapsed/cancelled during the year	Outstanding at 31.12.2001
23.12.1993	23.12.1994-9.8.2002	1.18	42,235,000	(1,050,000)	41,185,000
18.1.1995	18.1.1996-9.8.2002	0.78	705,000	(302,500)	402,500
			42,940,000	(1,352,500)	41,587,500

All options lapsed on 10 August 2002 when SCI Old Scheme expired.

(c) Old share option scheme of a subsidiary - SCB ("SCB Old Scheme")

The share option scheme of SCB (the "SCB Old Scheme") was adopted on 12 July 1993 for the primary purpose of providing incentives to directors and eligible employees. The SCB Old Scheme was to expire on 12 July 2003.

Under the SCB Old Scheme, the board of directors of SCB could grant options to eligible employees, including directors of SCB and its subsidiaries, to subscribe for shares in SCB for a consideration of HK\$1 for each lot of share options granted. Options granted had to be accepted within 21 days from the date of offer.

The exercise price was to be determined by the board of directors of SCB, and could not be less than the higher of (i) 80% of the average closing price of SCB's shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of offer; and (ii) the nominal value of SCB's shares.

Notes to the Financial Statements

For the year ended 31 December 2002

46. SHARE OPTION SCHEMES (Continued)

(c) Old share option scheme of a subsidiary - SCB ("SCB Old Scheme") (Continued)

The total number of shares in respect of which options could be granted under the SCB Old Scheme was not permitted to exceed 10% of the shares of SCB in issue at any point in time, without prior approval from SCB's shareholders.

No employee of SCB could be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued under all the options previously granted to him which had been exercised, and, issuable under all the options previously granted to him which were for the time being subsisting and unexercised, would exceed 25% of the aggregate number of shares for the time being issued and issuable under the SCB Old Scheme.

Subject to the provisions of the SCB Old Scheme, an option may be exercised at any time commencing one year after the commencement date of the relevant option by the option holder for so long as he remains as an Eligible Person (as defined) in the following manner:

- (i) 50 percent of the option is exercisable in whole or in part at the subscription price within the period from the 13th month to the 24th month from the commencement date;
- (ii) a further 30 percent of the option is exercisable in whole or in part at the subscription price within the period from the 25th month to the 36th month from the commencement date; and
- (iii) the remaining 20 percent of the option is exercisable in whole or in part at the subscription price within the period from the 37th month to the 48th month from the commencement date.

The following tables disclose details of SCB's options under the SCB Old Scheme held by employees (including directors) and movements in such holdings during each of the two years ended 31 December 2002:

Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.1.2002	Granted during the year	Lapsed during the year	Outstanding at 31.12.2002
15.8.1993	15.8.1994-11.7.2003	0.180	250,000,000	—	—	250,000,000
15.3.2000	15.3.2001-11.7.2003	0.238	35,000,000	—	—	35,000,000
10.5.2001	10.5.2002-11.7.2003	0.138	20,000,000	—	—	20,000,000
7.6.2001	7.6.2002-11.7.2003	0.168	16,000,000	—	—	16,000,000
9.7.2001	9.7.2002-11.7.2003	0.180	20,000,000	—	—	20,000,000
			341,000,000	—	—	341,000,000

Notes to the Financial Statements

For the year ended 31 December 2002

46. SHARE OPTION SCHEMES (Continued)

(c) Old share option scheme of a subsidiary - SCB ("SCB Old Scheme") (Continued)

Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.1.2001	Granted during the year	Lapsed during the year	Outstanding at 31.12.2001
15.8.1993	15.8.1994-11.7.2003	0.180	250,000,000	—	—	250,000,000
20.5.1999	20.5.2000-30.4.2001	0.118	40,000,000	—	(40,000,000)	—
15.3.2000	15.3.2001-11.7.2003	0.238	35,000,000	—	—	35,000,000
10.5.2001	10.5.2002-11.7.2003	0.138	—	20,000,000	—	20,000,000
7.6.2001	7.6.2002-11.7.2003	0.168	—	16,000,000	—	16,000,000
9.7.2001	9.7.2002-11.7.2003	0.180	—	20,000,000	—	20,000,000
			325,000,000	56,000,000	(40,000,000)	341,000,000

(d) The SCH, SCI and SCB new share option schemes

In order to comply with recent changes in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in relation to share option schemes and to provide the Company, SCI and SCB (collectively the "Companies") with a flexible means of giving incentives to or rewarding to the participants for their contribution to the Companies and to enable the Companies to attract and retain employees of appropriate qualifications and with necessary experience to work for the Companies and any entity in which any member of the Group holds equity interests (the "Invested Entity"), the shareholders of the respective Companies have approved the termination of the Companies' Old Schemes and the adoption of the new share option schemes (the "New Schemes") at the respective annual general meetings held on 31 May 2002.

According to the Companies' New Schemes, the respective board may, at its absolute discretion, grant options to any person belonging to any of the following classes of participants to subscribe for shares:

- (i) any executive director, employee or proposed employee (whether full time or part time) of any member of the relevant group or any Invested Entity or substantial shareholder;
- (ii) any non-executive directors (including any independent non-executive directors) of any member of the relevant group or any Invested Entity or substantial shareholder;
- (iii) any individual for the time being seconded to work for any member of the relevant group or any Invested Entity or substantial shareholder;

Notes to the Financial Statements

For the year ended 31 December 2002

46. SHARE OPTION SCHEMES (Continued)

(d) The SCH, SCI and SCB new share option schemes (Continued)

- (iv) any shareholder of any member of the relevant group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the relevant group or any Invested Entity or substantial shareholder;
- (v) any business partner, consultant or contractor of any member of the relevant group or any Invested Entity or substantial shareholder;
- (vi) any supplier of goods or services to any member of the relevant group or any Invested Entity or substantial shareholder;
- (vii) any customer of any member of the relevant group or any Invested Entity or substantial shareholder;
- (viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the relevant group or any Invested Entity or substantial shareholder; and
- (ix) any company wholly owned by one or more persons belonging to any of the above classes of participants.

Upon termination of the respective Old Schemes, no further options may be offered thereunder. However, in respect of the outstanding options, the provisions of the Old Schemes shall remain in force. The outstanding options granted under the Old Schemes shall continue to be subject to the provisions of the Old Schemes and the provisions of Chapter 17 of the Listing Rules which took effect from 1 September 2001 and the adoption of the New Schemes will not in any event affect the terms in respect of such outstanding options. The New Schemes will remain in force for a period of 10 years commencing on the date on which it became unconditional on 18 June 2002 (the "Effective Date").

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the respective New Schemes to each participant in any 12-month period must not exceed 1% of the issued share capital of the respective Companies for the time being respectively unless otherwise approved by the shareholders and the shareholders of the holding company, if applicable. An amount of HK\$1 for each lot of share options granted is payable upon acceptance of the options within 5 business days from the date of offer of the option.

The respective board may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the Effective Date. The respective board may also provide restrictions on the exercise of a share option during the period a share option may be exercised.

Notes to the Financial Statements

For the year ended 31 December 2002

46. SHARE OPTION SCHEMES (Continued)

(d) *The SCH, SCI and SCB new share option schemes (Continued)*

The exercise price is determined by the respective board, and shall be at least the highest of: (i) the closing price of the respective Companies' shares as stated in the Stock Exchange's daily quotations sheets on the date of offer; (ii) the average closing price of the respective Companies' shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the respective Companies' shares.

There is no specific requirement under the New Schemes that an option must be held for any minimum period before it can be exercised, but the terms of the New Schemes provide that the respective board has the discretion to impose a minimum period at the time of grant of any particular option.

The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Schemes and any other share option schemes of the respective Companies shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

A total of 182,340,137 shares of the Company are available for issue under the SCH New Scheme, which represents 10% of the issued share capital of the Company as at the date of this report.

A total of 53,033,474 shares of SCI are available for issue under SCI New Scheme, which represents 10% of the issued share capital of SCI as at the date of this report.

A total of 486,193,674 shares of SCB are available for issue under the SCB New Scheme, which represents approximately 10% of the issued share capital of SCB as at the date of this report.

Details of the principal terms of the New Schemes are set out in the circulars of the respective Companies dated 30 April 2002 respectively.

During the year, no options were granted under any of the New Schemes.

47. RETIREMENT BENEFITS SCHEMES

The Group participates in a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Company, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

Notes to the Financial Statements

For the year ended 31 December 2002

47. RETIREMENT BENEFITS SCHEMES (Continued)

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employee. Both the employer's and the employees' contributions are subject to a maximum of monthly earnings of HK\$20,000 per employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% and 5% to 7.5% respectively of the employee's basic salary. The employees are entitled to receive their entire contributions and the accrued interest thereon, and 100% of the employer's contributions and the accrued interest thereon upon retirement or leaving the employer after completing 10 years of service or at a reduced scale of between 20% to 90% after completing 2 to 9 years of service. The funded contributions made by the Group and related accrued interest are used to reduce the employer's contribution.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The employees of the Group's subsidiaries in other regions of the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute 12% to 30% of the employee's basic salary to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect of the retirement benefit scheme is to make the specified contributions.

During the year, the aggregate employer's contribution made by the Group and charged to income statement were HK\$12,056,000 (2001: HK\$14,598,000) after deduction of forfeited contributions of HK\$2,208,000 (2001: HK\$506,000). At the balance sheet dates, there were no material forfeited contributions, which arose upon employees leaving the ORSO Scheme, are available to reduce the contributions payables in future years.

48. POST BALANCE SHEET EVENT

On 26 March 2003, SCI, through its wholly-owned subsidiary, requested the board of Wah Shing, to put forward a proposal to the Scheme Shareholders (as defined in the joint announcement of the Company and SCI dated 26 March 2003) to privatise Wah Shing by way of a scheme of arrangement ("Scheme") under Section 99 of the Companies Act 1981 of Bermuda (as amended and modified from time to time). The Scheme will involve, inter alia, a capital reduction of Wah Shing to be effected by the cancellation of all the shares held by the Scheme Shareholders. An amount of S\$0.065 (equivalent to approximately HK\$0.29) in cash will be payable to the Scheme Shareholders for each Wah Shing's share held. The total amount of cash required to be paid by SCI is approximately S\$8.35 million (equivalent to approximately HK\$37.58 million). The Scheme is subject to certain conditions before it will become effective. A circular dated 16 April 2003 containing further details of the above proposal was despatched to the shareholders of the Company for their information.

Notes to the Financial Statements

For the year ended 31 December 2002

49. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into seven operating divisions—trading and manufacturing, securities and financing, property development, information technology, media publishing, travel business and investment holding. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- | | | |
|---------------------------|---|--|
| Trading and manufacturing | - | trade and manufacture of merchandise including toys, compressors, shoes, metal tooling, leather products, motor, machinery, capacitors and clothing |
| Securities and financing | - | securities, bullion and commodities brokerage and margin financing, money lending, trading provision of corporate advisory and underwriting services |
| Property development | - | property investment and development |
| Information technology | - | information technology related business |
| Media publishing | - | publishing and printing businesses, marketing and promotional services |
| Travel business | - | sale of air tickets and travel related services |
| Investment holding | - | investment holding and others |

Notes to the Financial Statements

For the year ended 31 December 2002

49. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Segment information about these business is presented below:

2002

INCOME STATEMENT

	Trading and manufacturing	Securities and financing	Property development	Information technology	Media publishing	Travel business	Investment holding	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE								
External sales	1,577,225	101,333	17,108	83,793	156,244	44,747	155	1,980,605
RESULTS								
Segment results before unrealised/realised gain/(loss)	86,289	(37,693)	12,521	(1,368)	(20,738)	4,444	(7,118)	36,337
Depreciation and amortisation	(46,928)	(9,315)	(373)	(562)	(4,969)	(2,434)	(23)	(64,604)
Allowance for bad and doubtful debts	(24,556)	(53,246)	—	—	—	—	(3,917)	(81,719)
Loss on disposal of non-trading securities	—	—	—	—	—	—	(57,960)	(57,960)
Unrealised holding loss of trading securities	—	(15,217)	—	—	—	—	—	(15,217)
Impairment losses recognised in income statement	—	—	—	—	—	—	(38,979)	(38,979)
Deficit on revaluation of investment properties	—	—	(23,549)	—	—	—	—	(23,549)
Write back of land pending development	—	—	4,356	—	—	—	—	4,356
Segment results	14,805	(115,471)	(7,045)	(1,930)	(25,707)	2,010	(107,997)	(241,335)
Finance costs								(15,102)
Share of results of associates								(8,109)
Loss on interest in associates								(75,000)
Net gain on disposal of subsidiaries								99,796
Loss before taxation								(239,750)
Taxation								1,119
Loss before minority interests								(238,631)
Minority interests								51,661
Net loss for the year								(186,970)

Notes to the Financial Statements

For the year ended 31 December 2002

49. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

BALANCE SHEET

	Trading and manufacturing HK\$'000	Securities and financing HK\$'000	Property development HK\$'000	Information technology HK\$'000	Media publishing HK\$'000	Travel business HK\$'000	Investment holding HK\$'000	Total HK\$'000
ASSETS								
Segment assets	928,026	540,414	346,869	12,626	58,846	80,036	73,883	2,040,700
Interest in associates	146,290	—	183,210	7,077	—	—	—	336,577
<hr/>								
Consolidated total assets								2,377,277
LIABILITIES								
Segment liabilities	246,182	215,890	176,983	7,556	99,651	79,560	1,439	827,261
Unallocated corporate liabilities								476,771
<hr/>								
Consolidated total liabilities								1,304,032

OTHER INFORMATION

	Trade and manufacturing HK\$'000	Securities and financing HK\$'000	Property development HK\$'000	Information technology HK\$'000	Media publishing HK\$'000	Travel business HK\$'000	Investment holding HK\$'000	Total HK\$'000
Capital additions	26,811	3,642	252	2,594	5,318	6,031	18	44,666

Notes to the Financial Statements

For the year ended 31 December 2002

49. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2001

INCOME STATEMENT

	Trading and manufacturing	Securities and financing	Property development	Information technology	Media publishing	Travel business	Investment holding	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE								
External sales	1,651,925	130,662	8,407	108,950	209,080	—	24	2,109,048
RESULTS								
Segment results before unrealised/realised gain/(loss)	15,373	19,260	4,012	3,690	(29,650)	—	(27,938)	(15,253)
Depreciation and amortisation	(57,082)	(11,011)	(535)	(2,244)	(6,402)	—	(527)	(77,801)
Allowance for bad and doubtful debts	(35,621)	(29,922)	—	(3,278)	(6,539)	—	—	(75,360)
Loss on disposal of non-trading securities	—	—	—	—	—	—	(1,201)	(1,201)
Unrealised holdings gain of trading securities	—	33,497	—	—	—	—	—	33,497
Impairment losses recognised in income statement	(24,508)	—	—	(5,552)	(6,200)	—	(13,956)	(50,216)
Deficit on revaluation of investment properties	—	—	(4,272)	—	—	—	—	(4,272)
Impairment of land pending development	—	—	(9,550)	—	—	—	—	(9,550)
Segment results	(101,838)	11,824	(10,345)	(7,384)	(48,791)	—	(43,622)	(200,156)
Finance costs								(21,275)
Share of results of associates								(21,200)
Loss on interest in associates								(35,192)
Net gain on disposal of subsidiaries								33
Loss before taxation								(277,790)
Taxation								(36,588)
Loss before minority interests								(314,378)
Minority interests								127,347
Net loss for the year								(187,031)

Notes to the Financial Statements

For the year ended 31 December 2002

49. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

BALANCE SHEET

	Securities							Total
	Trading and manufacturing	and financing	Property development	Information technology	Media publishing	Travel business	Investment holding	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS								
Segment assets	892,581	809,279	334,827	52,664	66,887	—	75,255	2,231,493
Interests in associates	154,274	—	272,790	—	—	—	—	427,064
Consolidated total assets								2,658,557
LIABILITIES								
Segment liabilities	239,858	210,315	202,092	26,268	111,738	—	47	790,318
Unallocated corporate liabilities								610,504
Consolidated total liabilities								1,400,822

OTHER INFORMATION

	Securities							Total
	Trading and manufacturing	and financing	Property development	Information technology	Media publishing	Travel business	Investment holding	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	22,104	10,864	—	7,484	2,370	—	33	42,855

Notes to the Financial Statements

For the year ended 31 December 2002

49. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

The Group's operations are located in United States of America, Europe, Hong Kong and other regions in the PRC, Japan and other regions.

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		Profit (loss) from operation by geographical market	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The United States of America	978,723	1,020,969	20,464	(2,184)
Europe	442,377	324,518	6,937	(13,174)
Hong Kong and other regions in the PRC	483,315	612,793	(269,503)	(175,865)
Japan	22,501	29,651	(145)	(5,997)
Others	53,689	121,117	912	(2,936)
	1,980,605	2,109,048	(241,335)	(200,156)

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

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	1,686,015	1,875,716	26,348	15,909
The PRC	691,262	782,841	18,318	26,946
	2,377,277	2,658,557	44,666	42,855

Notes to the Financial Statements

For the year ended 31 December 2002

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation or registration/ and operations	Class of share held	Issued and fully paid share capital/ registration capital	Percentage of issued capital held by the subsidiaries	attributable to the Group	Principal activities
Buji Soft Toys Company (BVI) Limited	British Virgin Islands/ The PRC	Ordinary	US\$1,000	100%	39.4%	Manufacturer of toys
Buji Soft Toys Company Limited	Hong Kong	Ordinary Non-voting deferred shares (b)	HK\$20 HK\$6,000,000	100%	39.4%	Trading in toys
Chongqing Incyber Opt. Inf. Sci & Tech Co. Ltd.	The PRC	Registered Capital	Rmb3,500,000	65%	48.6%	Information and Technology related business
Cophorne Holdings Corporation	Republic of Panama/ Hong Kong	Ordinary	US\$200	100%	39.4%	Property investment
Glorious Dragon Investments Limited	Hong Kong	Ordinary	HK\$2	100%	74.7%	Property investment
Global Trinity Properties Limited	Hong Kong	Ordinary	HK\$2	100%	74.7%	Property investment
Four Seas Capital Limited	Hong Kong	Ordinary	HK\$2	100%	74.7%	Provision of financing services
Guangdong Huaxing Fruit Development Co. Ltd. (c)	The PRC	Registered capital	Rmb46,749,755	100%	100%	Fruit plantation
Hong Kong Four Seas Tours Limited	Hong Kong	Ordinary Non-voting deferred shares (b)	HK\$1,800,000 HK\$1,200,000	100%	74.7%	Sales of air tickets and provision of travel-related services
Man Wah Trading Limited	Hong Kong	Ordinary	HK\$10,000	100%	39.4%	Investment in securities
Micon Limited	Hong Kong	Ordinary	HK \$2	74.7%	74.7%	Investment holding
Nanjing South China Bao Qing Jewellery Ltd. (d)	The PRC	Registered capital	Rmb3,083,200	60%	60%	Manufacturing and sale of ornaments and jewellery

Notes to the Financial Statements

For the year ended 31 December 2002

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ and operations	Class of share held	Issued and fully paid share capital/ registration capital	Percentage of issued capital held by the subsidiaries	attributable to the Group	Principal activities
Shenyang Shenglian Electronics Science & Technology Ltd. (d)	The PRC	Registered capital	Rmb4,000,000	70%	52.3%	Information and Technology related business
Spark-inn Investments Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Property investment
South China Brokerage Company Limited (listed on The Stock Exchange of Hong Kong Limited)	Hong Kong	Ordinary	HK\$121,549,774	74.6%	74.6%	Investment holding
South China Capital Limited	Hong Kong	Ordinary	HK\$2	100%	74.6%	Corporate finance advisory services
South China Commodities Limited	Hong Kong	Ordinary	HK\$10,000,000	100%	74.6%	Commodities broking
South China Finance and Management Limited	Hong Kong	Ordinary	HK\$2	100%	74.6%	Share dealing and provision of management services
South China Financial Credits Limited	Hong Kong	Ordinary	HK\$42,125,000	95%	70.8%	Money lending
South China Industries Limited (listed on The Stock Exchange of Hong Kong Limited)	Cayman Islands/ Hong Kong	Ordinary	HK\$53,033,000	74.7%	74.7%	Investment holding
South China Media Online Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Provision of e-commerce consultation and management services
South China Media Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Provision of publishing, marketing and promotional services

Notes to the Financial Statements

For the year ended 31 December 2002

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ and operations	Class of share held	Issued and fully paid share capital/ registration capital	Percentage of issued capital held by the subsidiaries	attributable to the Group	Principal activities
South China Research Limited	Hong Kong	Ordinary	HK\$600,000	100%	74.6%	Research publications
South China Securities Limited	Hong Kong	Ordinary	HK\$10,000,000	100%	74.6%	Securities broking and margin financing
South China Securities (UK) Limited	United Kingdom	Ordinary	GBP200,000	100%	74.6%	Provision of securities trading services
South China Strategic Limited	Hong Kong	Ordinary	HK\$308,594,000	100%	74.7%	Investment holding
South China Strategic Property Development Limited	Hong Kong	Ordinary	HK\$5,000,000	100%	74.7%	Property development and investment holding
Tek Lee Finance and Investment Corporation Limited	Hong Kong	Ordinary	HK\$287,498,818	100%	100%	Investment holding
Tianjin South China Leather Chemical Products Co. Ltd. (d)	The PRC	Registered capital	Rmb19,681,600	80%	59.8%	Manufacturer of leather products
Tianjin Nan Hua Real Estate Development Co. Ltd. (d)	The PRC	Registered capital	Rmb43,000,000	51%	51%	Property development
Tianjin South China Shoes Products Co. Ltd. (d)	The PRC	Registered capital	Rmb36,100,200	80%	59.8%	Manufacturer of leather footwear products
South China Garments Company Limited	Hong Kong	Ordinary	HK\$2	100%	74.7%	Trading of garments
South China Shoes Products Company Limited	Hong Kong	Ordinary	HK\$2	100%	74.7%	Trading of shoes
Shineway Investment Limited	Hong Kong	Ordinary	HK\$2	100%	74.7%	Trading of shoes

Notes to the Financial Statements

For the year ended 31 December 2002

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ and operations	Class of share held	Issued and fully paid share capital/ registration capital	Percentage of issued capital held by the subsidiaries	attributable to the Group	Principal activities
South China Leesheng Sporting Goods Company Limited	Hong Kong	Ordinary	HK\$2	100%	74.7%	Trading of sports products
South China Leather Chemical Products Company (HK) Limited	Hong Kong	Ordinary	HK\$2	100%	74.7%	Trading of leather chemical products
Tianjin South China Li Sheng Sports Wears Co. Ltd. (d)	The PRC	Registered capital	RMB9,940,167	80%	59.8%	Manufacturing of sports products
Wah Shing Electronics Company Limited	Hong Kong/ The PRC	Ordinary	HK\$571,500	70%	27.6%	Manufacturer of toys
Wah Shing International Holdings Limited (listed on The Singapore Exchange Securities Trading Limited)	Bermuda/ Hong Kong	Ordinary	HK\$54,432,000	52.8%	39.4%	Investment holding
Wah Shing Toys Company Limited	Hong Kong	Ordinary Non-voting deferred shares (b)	HK\$2 HK\$3,020,002	100%	74.7%	Trading in toys and investment holding

Notes:

- a. The principal subsidiaries of the Group are all held indirectly by the Company.
- b. The non-voting deferred shares have no voting rights and practically no entitlement to dividend of profit or distribution on winding up.
- c. This is a wholly foreign owned equity enterprise established in the PRC.
- d. These are sino-foreign owned equity joint ventures established in the PRC.

Notes to the Financial Statements

For the year ended 31 December 2002

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The above summary lists only the subsidiaries of the Group which, in the opinion of the Company's directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year ended 31 December 2002.

51. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31 December 2002 and which are all established in the PRC are as follows:

Name of associate	Place of incorporation or registration/ operations	Class of share held	Proportion of nominal value of issued capital held	Principal activities
Firm Wise Investment Limited ("FWIL") (note)	Hong Kong	Ordinary	30%	Property development
Giant Riches Limited	Hong Kong	Ordinary	50%	Property development
Giant Riches Mortgage Limited	Hong Kong	Ordinary	50%	Property mortgage
Nanjing South China Dafang Electric Co. Ltd.	The PRC	Registered capital	51%	Manufacturing of motors
Nority International Group Limited (listed on The Stock Exchange of Hong Kong Limited)	Cayman Islands/ The PRC	Ordinary	42.6%	Manufacturing of shoes and footwear products
Tianjin South China Tools (Holdings) Co. Ltd.	The PRC	Registered capital	51%	Manufacturing of tools

In determining whether an investment should be classified as an associate, the directors have also considered whether the Group is in a position to exercise significant influence over the investment even though its interest therein is less than 20% or whether the Group can exercise control over the investment even though its interest therein is more than 50%.

All the above associates are indirectly held by the Company.

The above summary lists only the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Financial Statements

For the year ended 31 December 2002

51. PARTICULARS OF PRINCIPAL ASSOCIATES (Continued)

Note: FWIL is principally engaged in the holding of investment property. As at 31 December 2002, the carrying value of the property, as reflected in its unaudited financial statements, amounted to approximately \$1,281,000,000. The Directors have assessed the realisable value of the property, by reference to the market price of comparable buildings and advice from independent qualified valuers, and consider that the fair value of the property as at 31 December 2002 was not less than its carrying value as at that date.

A summary of the balance sheet as at 31 December 2002 of FWIL based on its unaudited financial statements is as follows:

	Balance sheet
	\$'000
Investment property	1,281,000
Other assets	15,560
	1,296,560
Trade and other payables	(64,367)
Short-term bank borrowings	(70,000)
Long-term bank borrowings	(484,908)
Due to shareholders	(922,781)
	(1,542,056)
Net liabilities	(245,496)