

Notes to the Financial Statements

31 December 2002

1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- trading and manufacturing of plastic and chemical products
- distribution and installation of building supplies, electrical and mechanical products
- wholesaling of electrical appliances, engineering contracting in the air-conditioning industry and the provision of maintenance services
- property and investment holding

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 34: "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for the structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented on page 27 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and associates are now translated to Hong Kong dollars at the weighted average exchange rates for the years, whereas previously they were translated at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

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2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (Continued)

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the cash flow statement has been revised. Further details of these changes are included in the accounting policies for “Cash and cash equivalents” and “Foreign currencies” in note 3 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in the recognition of an accrual for paid holiday carried forward by the Group’s employees as at the balance sheet date. This SSAP has had no material effect on amounts previously reported in the prior year’s financial statements. In addition, disclosures are now required in respect of the Company’s share option scheme, as detailed in note 33 to the financial statements. These share option scheme disclosures are similar to the Listing Rules disclosures previously included in the Report of the Directors, which are now included in the notes to the financial statements as a consequence of the SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets and equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2002. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company’s subsidiaries.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which the Group is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

Goodwill arising from the acquisition of associates, which was not previously eliminated against reserves, is included as part of the Group's interests in associates.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of not more than 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 January 2001 is treated according to the new accounting policy above.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance costs, is normally charged to the profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an asset, the expenditure is capitalised as an additional cost of that asset.

Surpluses arising from the revaluation of fixed assets are dealt with in the asset revaluation reserve. Revaluation deficits are charged to the profit and loss account to the extent that they exceed surpluses arising previously on the individual assets. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of the previous valuations is transferred to retained earnings as a movement in reserves.

Depreciation is provided using either the straight-line or reducing balance method in order to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Medium term leasehold land	Over the lease terms
Buildings	2% – 4.5%
Leasehold improvements	Over the lease terms or 20% – 33 ¹ / ₃ %
Furniture, fixtures and equipment	10% – 33 ¹ / ₃ %
Motor vehicles	15% – 25%

The gain or loss on disposal of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Long term investments

Long term investments in listed and unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are classified as investment securities and are stated at cost less any impairment losses, on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short term investments

Short term investments are investments in equity securities held for trading purposes and are classified as other investments. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their fair values estimated by the directors having regard to information known to them and to market conditions existing at the balance sheet date, on an individual basis. The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

Other assets

Other assets held on a long term basis are stated at cost less any impairment losses.

Properties held for resale

Properties held for resale, consisting of completed properties, are classified under current assets and are stated at the lower of cost and net realisable value. Cost consists of all expenditure directly attributable to the acquisition and development of the properties plus other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the year plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out or the weighted average basis and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from construction contracts, on the percentage of completion basis as further explained in the accounting policy for "Construction contracts" above;
- (c) from the rendering of services, on completion of the transactions;
- (d) rental income, on the straight-line basis over the lease terms;
- (e) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (f) dividend income, when the shareholders' right to receive payment has been established.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the profit and loss account of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and associates and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 had no material effect on the financial statements, while the adoption of the revised SSAP 15 has resulted in changes to the layout of the consolidated cash flow statement.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Prior to the adoption of SSAP 34 during the year, as explained in note 2 to the financial statements, the Group did not accrue for paid annual leave carried forward at the balance sheet date. This change in accounting policy has not resulted in a prior year adjustment as it had no material effect on amounts previously reported in the prior year's financial statements.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date, net of employer's contributions and accrued benefits derived therefrom under the Group's pension schemes.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Pension schemes

The Group operates defined contribution Mandatory Provident Fund retirement benefits schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Schemes. The Group's employer contributions vest fully with the employees when contributed into the MPF Schemes, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Schemes.

Prior to the MPF Schemes becoming effective, the Group operated defined contribution provident fund schemes (the "Provident Funds") under the Occupational Retirement Schemes Ordinance for those employees who were eligible to participate. The Provident Funds operated in a similar way to the MPF Schemes, except that when an employee left the Provident Funds prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. Upon implementation of the MPF Schemes, the Provident Funds have been frozen and no further contributions have been made by the Group or the eligible employees after that date. The eligible employees are entitled to receive their funds in accordance with the rules of the Provident Funds when they leave the Group.

The assets of both types of scheme are held separately from those of the Group in independently administered funds.

Share option scheme

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Notes to the Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and have a short maturity generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including time deposits, and assets similar in nature to cash, which are not restricted as to use.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- the plastic and chemical products segment consists of importing, marketing and distributing plastic and chemical products;
- the building supplies, electrical and mechanical products segment consists of importing, marketing, distributing and installing building supplies, electrical and mechanical products;
- the electrical appliances and air-conditioning business segment consists of importing, marketing, distributing and installing electrical appliances and air-conditioning products;
- the property and investment holding segment consists of investments in properties, listed and unlisted securities for their investment potential.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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4. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments.

Group

	Plastic and chemical products		Building supplies, electrical and mechanical products		Electrical appliances and air-conditioning business		Property and investment holding		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	569,904	439,625	168,308	212,573	86,707	31,578	3,333	3,895	-	-	828,252	687,671
Other revenue	2,090	248	97	-	103	89	-	-	-	-	2,290	337
Total revenue	571,994	439,873	168,405	212,573	86,810	31,667	3,333	3,895	-	-	830,542	688,008
Segment results:												
Operating profit/(loss)	19,385	7,187	(7,766)	(23,891)	514	(1,768)	981	1,450	-	1,107	13,114	(15,915)
Provision for impairment in values of properties held for resale	-	(1,785)	-	-	-	-	(27,000)	(4,000)	-	-	(27,000)	(5,785)
Revaluation deficits of leasehold land and buildings	-	(3,947)	-	(3,233)	-	(228)	-	-	-	-	-	(7,408)
Unrealised holding losses on other investments	-	-	-	-	-	-	(11,830)	(26,339)	-	-	(11,830)	(26,339)
	19,385	1,455	(7,766)	(27,124)	514	(1,996)	(37,849)	(28,889)	-	1,107	(25,716)	(55,447)
Interest income and unallocated gains											1,260	6,295
Unallocated expenses											(10,745)	(15,920)
Provision for corporate guarantee for an associate											(9,480)	(21,156)
Provision for impairment of goodwill											-	(12,628)
Loss from operating activities											(44,681)	(98,856)
Finance costs											(7,988)	(10,984)
Share of profits less losses of associates	-	-	-	-	-	-	(2,280)	(18,789)	-	-	(2,280)	(18,789)
Loss before tax											(54,949)	(128,629)
Tax											(3,222)	(1,136)
Loss before minority interests											(58,171)	(129,765)
Minority interests											(236)	713
Net loss attributable to shareholders											(58,407)	(129,052)

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4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Plastic and chemical products		Building supplies, electrical and mechanical products		Electrical appliances and air-conditioning business		Property and investment holding		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	208,921	179,722	63,217	94,738	38,205	37,408	84,117	132,372	(42,369)	(33,552)	352,091	410,688
Interests in associates	-	-	-	-	-	-	48,033	41,534	-	-	48,033	41,534
Unallocated assets											23	132
Bank overdrafts included in segment assets	-	-	29,225	20,166	4,623	7,520	-	-	-	-	33,848	27,686
Total assets											433,995	480,040
Segment liabilities	138,057	47,821	81,134	91,726	34,904	17,170	38,249	26,937	(41,607)	(54,751)	250,737	128,903
Unallocated liabilities											13,072	141,735
Bank overdrafts included in segment assets	-	-	29,225	20,166	4,623	7,520	-	-	-	-	33,848	27,686
Total liabilities											297,657	298,324
Other segment information:												
Capital expenditure	273	407	194	3,062	33	14,604	10	7	-	-	510	18,080
Depreciation	1,953	2,137	1,397	1,283	389	259	60	111	-	-	3,799	3,790
Amortisation of goodwill	-	-	-	-	-	-	415	134	-	-	415	134
Other non-cash expenses:												
Provision for corporate guarantee for an associate	-	-	-	-	-	-	9,480	21,156	-	-	9,480	21,156
Provision for impairment in values of properties held for resale	-	1,785	-	-	-	-	27,000	4,000	-	-	27,000	5,785
Provision for impairment of goodwill	-	-	-	-	-	-	-	12,628	-	-	-	12,628
Revaluation deficits of leasehold land and buildings	-	3,947	-	3,233	-	228	-	-	-	-	-	7,408
Unrealised holding losses on other investments	-	-	-	-	-	-	11,830	26,339	-	-	11,830	26,339

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4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table presents revenue and certain assets and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Elsewhere in the PRC		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	754,019	637,806	74,233	49,865	-	-	828,252	687,671
Inter-segment sales	-	4,530	-	-	-	(4,530)	-	-
Other revenue	2,290	337	-	-	-	-	2,290	337
Total revenue	756,309	642,673	74,233	49,865	-	(4,530)	830,542	688,008
Other segment information:								
Segment assets	368,200	427,210	32,702	25,262	(755)	(118)	400,147	452,354
Bank overdrafts included in segment assets	33,848	27,686	-	-	-	-	33,848	27,686
							433,995	480,040
Capital expenditure	320	17,912	190	168	-	-	510	18,080

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5. TURNOVER, REVENUE AND GAINS

Turnover represents the net invoiced value of services rendered and goods sold, after allowances for returns and trade discounts, an appropriate proportion of contract revenue of construction contracts and gross rental income received and receivable during the year.

An analysis of the Group's turnover, other revenue and gains, is as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover		
Sales of goods	759,458	629,299
Construction contracts	65,461	54,477
Gross rental income	3,333	3,895
	828,252	687,671
Other revenue and gains		
Interest income	526	2,957
Dividend income from an unlisted investment	27	629
Commission income	2,290	337
Realised gain on disposal of a short term investment	–	611
Others	707	2,098
	3,550	6,632
	831,802	694,303

Notes to the Financial Statements

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6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	<i>Notes</i>	2002 HK\$'000	Group 2001 <i>HK\$'000</i>
Auditors' remuneration:			
Current year provision		1,467	1,583
Prior year under/(over)provision		(278)	61
		1,189	1,644
Staff costs:*			
Wages and salaries		51,957	46,466
Pension contributions		3,025	2,497
Less: Forfeited contributions		(455)	(52)
Net pension contributions		2,570	2,445
		54,527	48,911
Amortisation of goodwill	14, 16	415	134
Bad and doubtful debts		3,715	5,789
Cost of inventories sold		663,100	558,142
Cost of services rendered		58,770	53,421
Depreciation	13	3,799	3,790
Loss on deemed disposal of interest in an associate		–	1,539
Loss on disposal of subsidiaries	35(b)	–	487
Operating lease rentals in respect of land and buildings		6,409	6,500
Provision for obsolete inventories		1,486	4,809
Revaluation deficits of leasehold land and buildings		–	7,408
Unrealised holding losses on other investments		11,830	26,339
Bad debts recovery		(408)	–
Dividend income from an unlisted investment		(27)	(629)
Foreign exchange gains, net		(1,256)	(648)
Interest income from:			
Banks and financial institutions		(471)	(2,676)
Others		(55)	(281)
Realised gain on disposal of a short term investment		–	(611)
Reversal of impairment in value of investment securities		–	(331)
Net rental income		(1,701)	(1,781)

* The staff costs include directors' remuneration as further detailed in note 7 below. As at 31 December 2002, the Group had no forfeited pension scheme contributions available to offset future contributions (2001: nil).

Notes to the Financial Statements

31 December 2002

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Fees to non-executive directors	100	100
Executive directors:		
Fees	–	–
Basic salaries, housing allowances and other benefits in kind	3,988	5,701
Bonuses paid and payable	1,080	750
Pension scheme contributions	317	402
	5,385	6,853
	5,485	6,953

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	6	9
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,500,001 – HK\$3,000,000	1	1
	8	12

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, no share options were granted to the directors in respect of their services to the Group. Further details of the share option scheme and the directors' options remaining outstanding under the scheme at the balance sheet date are set out in note 33 to the financial statements.

Notes to the Financial Statements

31 December 2002

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included two directors (2001: three), details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining three (2001: two) non-director, highest paid employees are as follows:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Basic salaries, housing allowances and other benefits in kind	2,353	4,143
Bonuses paid and payable	1,000	220
Pension scheme contributions	128	112
	3,481	4,475

The number of the above non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2002	2001
Nil – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	2	1
HK\$3,000,001 – HK\$3,500,000	–	1
	3	2

During the year, no share options were granted to the non-director, highest paid employees in respect of their services to the Group. Further details of the share option scheme and the options remaining outstanding under the scheme at the balance sheet date are included in the disclosures in note 33 to the financial statements.

Notes to the Financial Statements

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9. FINANCE COSTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	7,988	10,984

No interest was capitalised by the Group during the current or prior years.

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2002 HK\$'000	2001 HK\$'000
Group:		
Hong Kong:		
Provision for the year	1,689	48
Underprovision in prior years	6	5
Deferred (<i>note 31</i>)	–	(20)
Elsewhere	39	–
	1,734	33
Share of tax attributable to associates	1,488	1,103
Tax charge for the year	3,222	1,136

11. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company, was HK\$68,895,000 (2001: HK\$137,205,000).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$58,407,000 (2001: HK\$129,052,000) and the weighted average of 3,272,844,299 shares (2001: 2,755,994,984 shares) in issue during the year.

Diluted loss per share amounts for the years ended 31 December 2002 and 2001 have not been disclosed as the share options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

Notes to the Financial Statements

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13. FIXED ASSETS

Group	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:					
At beginning of year	29,328	4,078	17,092	2,072	52,570
Additions	–	78	308	124	510
Disposals	–	(126)	(774)	(149)	(1,049)
Exchange realignment	–	3	87	7	97
At 31 December 2002	29,328	4,033	16,713	2,054	52,128
Accumulated depreciation:					
At beginning of year	99	1,874	11,976	1,555	15,504
Provided during the year	617	795	2,250	137	3,799
Disposals	–	(126)	(723)	(135)	(984)
Exchange realignment	–	1	48	3	52
At 31 December 2002	716	2,544	13,551	1,560	18,371
Net book value:					
At 31 December 2002	28,612	1,489	3,162	494	33,757
At 31 December 2001	29,229	2,204	5,116	517	37,066

The Group's land and buildings are stated at valuation, while the other fixed assets are stated at cost. The valuation of the land and buildings included above are held under the following terms:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Medium term leases:		
At 2001 valuation, Hong Kong	21,500	21,500
At 2001 valuation, elsewhere	7,000	7,000
At carrying amount, elsewhere	828	828
	29,328	29,328

Notes to the Financial Statements

31 December 2002

13. FIXED ASSETS (Continued)

The Group's leasehold land and buildings, except for a property located outside Hong Kong with a net carrying value of HK\$713,000 as at 31 December 2002, were revalued individually on 31 December 2001 by A.G. Wilkinson & Associates, independent professionally qualified valuers, at an open market value of HK\$28,500,000 based on their existing use. In the opinion of the directors, this revalued amount is not materially different from the value as at 31 December 2002.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK\$50,397,000 (2001: HK\$51,455,000).

The net carrying amount of land and buildings pledged to secure banking facilities of the Group amounted to HK\$21,003,000 (2001: HK\$8,300,000) (see note 27).

Company

	Furniture, fixtures and equipment
	<i>HK\$'000</i>
Cost:	
At beginning of year	542
Additions	2
Disposals	(278)
At 31 December 2002	266
Accumulated depreciation:	
At beginning of year	376
Provided during the year	52
Disposals	(278)
At 31 December 2002	150
Net book value:	
At 31 December 2002	116
At 31 December 2001	166

Notes to the Financial Statements

31 December 2002

14. GOODWILL

The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, is as follows:

Group

	Goodwill <i>HK\$'000</i>
<hr/>	
Cost:	
At beginning of year	1,342
Acquisition of additional equity interest of a subsidiary during the year	105
<hr/>	
At 31 December 2002	1,447
<hr/>	
Accumulated amortisation:	
At beginning of year	134
Provided during the year	145
<hr/>	
At 31 December 2002	279
<hr/>	
Net book value:	
At 31 December 2002	1,168
<hr/>	
At 31 December 2001	1,208
<hr/>	

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill in respect of acquisitions of subsidiaries which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves.

During the year, the Group has not recognised any impairment of part of the goodwill previously eliminated against consolidated reserves (2001: HK\$12,418,000). Further details are set out in note 34 to the financial statements.

Notes to the Financial Statements

31 December 2002

15. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	185,600	185,600
Due from subsidiaries	828,172	818,160
Due to subsidiaries	(30,495)	(34,225)
	983,277	969,535
Provision for impairment	(908,897)	(859,424)
	74,380	110,111

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

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation or registration/ and operation	Nominal value of issued/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Best Treasure Limited	British Virgin Islands	Ordinary US\$1	–	100%	Investment holding
Chinney Alliance Corporate Treasury Limited	Hong Kong	Ordinary HK\$2	–	100%	Treasury function
Chinney Alliance Engineering Limited	Hong Kong	Ordinary HK\$10,000	–	100%	Distribution and installation of mechanical, electrical and building supplies products
Chinney Alliance Trading (BVI) Limited	British Virgin Islands	Ordinary HK\$360,001	100%	–	Investment holding

Notes to the Financial Statements

31 December 2002

15. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/ and operation	Nominal value of issued/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
DMT-Jacobson Holdings Limited	British Virgin Islands	Ordinary US\$2,000,000	–	100%	Investment holding
DMT International Hong Kong Limited	Hong Kong	Ordinary HK\$1,000 Non-voting Deferred HK\$5,156,700	–	100%	Agency trading of industrial materials
Full Yip Development Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	–	100%	Property holding
Gina Enterprises Limited	Hong Kong	Ordinary HK\$2	–	100%	Property holding
Jackson Mercantile Trading Company Limited	Hong Kong	Ordinary HK\$2,000 Non-voting Deferred HK\$5,000,000	–	100%	Investment holding and wholesaling of electrical appliances
Jacobson van den Berg (China) Limited*	Hong Kong	Ordinary HK\$1,000,000	–	100%	Trading of electrical and mechanical products
Jacobson van den Berg (Hong Kong) Limited	Hong Kong	Ordinary HK\$1,000 Non-voting Deferred HK\$35,486,600	–	100%	Investment holding and agency trading of industrial products

Notes to the Financial Statements

31 December 2002

15. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/ and operation	Nominal value of issued/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Lei Kee Development Company Limited	Hong Kong	Ordinary HK\$2	–	100%	Property holding
Lindeteves Jacoberg (China) Limited	Hong Kong	Ordinary HK\$170,000	–	100%	Trading of industrial apparatus, welding consumables and equipment
Tegan Holdings Limited	Hong Kong	Ordinary HK\$2	–	100%	Property holding
Tegdyl Corporation Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	–	100%	Property holding
Westco Chinney Limited*	Hong Kong	Ordinary HK\$3,000,000	–	100%	Sales and installation of air-conditioners
Dongguan Dharmala PVC Compounding Limited ** 東莞大馬膠粒有限公司	People's Republic of China	HK\$8,000,000	–	70%	Manufacture of industrial products

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The subsidiary is a wholly-owned foreign enterprise with a duration of business of 12 years commencing from 7 June 1995. This subsidiary is indirectly held by the Company through a 70% owned subsidiary.

During the year, the Group acquired the remaining 30% equity interest of Jacobson van den Berg (China) Limited ("JvdB (China)") from the minority shareholder for a consideration of HK\$900,000. The consideration was determined by reference to the unaudited net tangible assets of JvdB (China).

Notes to the Financial Statements

31 December 2002

15. INTERESTS IN SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. INTERESTS IN ASSOCIATES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Listed shares, at cost	–	–	87,723	77,186
Share of net assets	45,599	41,534	–	–
Goodwill on acquisition	2,434	–	–	–
Amounts due from associates	85,218	68,938	–	–
Provision for impairment	(85,218)	(68,938)	(31,055)	(31,055)
	48,033	41,534	56,668	46,131

The market value of the shares of a listed associate of the Group held at 31 December 2002 was HK\$9,715,000 (2001: HK\$27,741,000).

Goodwill of HK\$2,704,000 arising from the acquisition of an additional interest in an associate during the year has been recognised in the Group's interests in associates as an asset, and is amortised on the straight-line basis over its estimated useful life, as disclosed below.

Notes to the Financial Statements

31 December 2002

16. INTERESTS IN ASSOCIATES (Continued)

Group	Goodwill <i>HK\$'000</i>
Cost:	
At beginning of year	–
Acquisition of additional equity interest in an associate during the year	2,704
At 31 December 2002	2,704
Accumulated amortisation:	
At beginning of year	–
Provided during the year	270
At 31 December 2002	270
Net book value:	
At 31 December 2002	2,434
At 31 December 2001	–

The additional provision for impairment in the Group's interests in associates of HK\$16,280,000 was transferred from the provision for corporate guarantee during the current year as set out in note 29 to the financial statements.

The balances with associates are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Financial Statements

31 December 2002

16. INTERESTS IN ASSOCIATES (Continued)

Particulars of the associates are as follows:

Name	Place of incorporation or registration/ and operation	Nominal value of issued/registered capital	Percentage of equity interest attributable to the Group		Principal activities
			2002	2001	
Guangdong Parking Limited	British Virgin Islands/ Hong Kong	Ordinary US\$10	40.0%	40.0%	Property holding
Jiangxi Kaitong New Materials Company Limited** 江西省凱通新材料科技有限公司	People's Republic of China	RMB50,000,000	24.9%	24.9%	Manufacture of stainless steel and plastic compound pipes
Shun Cheong Holdings Limited	Bermuda/ Hong Kong	Ordinary HK\$46,372,160	29.9%	23.5%	Building contracting services and broadband connectivity business

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

This associate is a Sino-foreign joint venture with a duration of business of 15 years commencing from 11 October 2000.

The voting power held and profit sharing arrangement in relation to the associates are both the same as the equity interest shown above.

The financial statements of the above associates are coterminous with those of the Group except for Shun Cheong Holdings Limited ("Shun Cheong"), which has a financial year ending 31 March. The Group's financial statements have taken into account the results of Shun Cheong between 1 October 2001 to 30 September 2002. There were no material transactions between the Group and Shun Cheong during the period from 1 October 2002 to 31 December 2002.

Notes to the Financial Statements

31 December 2002

16. INTERESTS IN ASSOCIATES (Continued)

Financial information as extracted from the most recent published financial statements of the Group's major associates is set out below:

(a) Guangdong Parking Limited

Consolidated income statement

For the year ended 31 December 2002

	2002 (Audited) HK\$'000	2001 (Audited) HK\$'000
Turnover	10,741	16,372
Loss attributable to shareholders	(56,726)	(20,472)

Consolidated balance sheet

As at 31 December 2002

	2002 (Audited) HK\$'000	2001 (Audited) HK\$'000
Non-current assets	110,079	166,085
Current assets	435	599
Current liabilities	(71,901)	(28,330)
Advances from shareholders	(231,973)	(187,436)
Other non-current liabilities	(62,440)	(149,992)
Net liabilities	(255,800)	(199,074)

Notes to the Financial Statements

31 December 2002

16. INTERESTS IN ASSOCIATES (Continued)

(b) Shun Cheong Holdings Limited

Consolidated income statement

	Six months ended	
	30 September	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
– Continuing operations	268,073	332,151
– Discontinued operations	291	22,485
	268,364	354,636
Profit/(loss) attributable to shareholders	1,060	(10,708)

Consolidated balance sheet

	As at	
	30 September	
	2002	As at
	(Unaudited)	31 March
	HK\$'000	2001
		(Audited)
		HK\$'000
Non-current assets	44,372	46,600
Current assets	278,597	284,601
Current liabilities	(184,411)	(198,533)
Non-current liabilities	(13,375)	(13,510)
Minority interests	(9,026)	(4,061)
Net assets	116,157	115,097

Notes to the Financial Statements

31 December 2002

17. LONG TERM INVESTMENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Investment securities:		
Unlisted equity investments, at cost	95,415	95,415
Convertible loan notes	89,148	89,148
Provision for impairments	(184,563)	(184,563)
	-	-

Included in the unlisted equity investments was an interest in Dharmala Agrifood Asia Pte Limited ("DAAL"), a company incorporated in Singapore, stated at a carrying value of nil (2001: nil) comprising the cost of the Group's equity investment of HK\$95,415,000 (2001: HK\$95,415,000), representing a 19.73% interest in DAAL and an interest in convertible loan notes of HK\$89,148,000 (2001: HK\$89,148,000), net of a provision of HK\$184,563,000 (2001: HK\$184,563,000). In the opinion of the directors, the above provision is required to cover the impairment in DAAL, as the major subsidiaries of DAAL have either been declared bankrupt by their creditors or have financial difficulties in repaying outstanding bank loans.

The convertible loan notes of DAAL are unsecured and carry interest at the rate of 5.5% per annum (2001: 5.5% per annum) with a right to be converted into ordinary shares of DAAL at a conversion price based on the net asset value per DAAL share according to the then latest annual audited consolidated financial statements of DAAL and its subsidiaries. Interest income on the convertible loan notes is only recognised by the Group when the receipt of such income is certain, and therefore no interest income has been recognised by the Group during the year (2001: nil).

18. OTHER ASSETS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Club memberships	1,220	1,220	1,220	1,220
Retention monies receivable over one year	2,964	3,358	-	-
	4,184	4,578	1,220	1,220

Notes to the Financial Statements

31 December 2002

19. PROPERTIES HELD FOR RESALE

	Group	
	2002 HK\$'000	2001 HK\$'000
At beginning of year	59,500	58,000
Transfer from fixed assets	–	7,285
Provision for impairment	(27,000)	(5,785)
At 31 December	32,500	59,500

Details of the Group's properties held for resale as at 31 December 2002 are as follows:

Description	Interest in property attributable to the Group	Gross floor area	Existing use
115 parking bays at Lido Garden, Sham Tseng, New Territories, Hong Kong	100%	N/A	Commercial
26 parking bays at Shining Court, 439 Shun Ning Road, Kowloon, Hong Kong	100%	N/A	Commercial
4 villas in Shenzhen, the PRC	100%	1,060 sq.m.	Vacant

The value of the properties which have been pledged to secure banking facilities of the Group amounted to HK\$27,000,000 (2001: HK\$54,000,000) (note 27).

20. INVENTORIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Raw materials	57,161	21,390
Finished goods	31,747	66,835
	88,908	88,225

At the balance sheet date, the amount of inventories carried at net realisable value was HK\$1,308,000 (2001: HK\$1,190,000).

Notes to the Financial Statements

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21. CONSTRUCTION CONTRACTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Gross amount due from contract customers	5,283	10,797
Gross amount due to contract customers included in other payables and accruals (<i>note 30</i>)	(3,979)	(4,957)
	1,304	5,840
Contract costs incurred plus recognised profits less recognised losses to date	150,290	153,199
Less: Progress billings	(148,986)	(147,359)
	1,304	5,840

At 31 December 2002, retention monies held by customers for contract works included in other assets and trade and retention monies receivables amounted to approximately HK\$2,964,000 (2001: HK\$3,358,000) and HK\$3,879,000 (2001: HK\$5,074,000), respectively.

No advances were received from customers for contract works in both years.

22. TRADE AND RETENTION MONIES RECEIVABLES

	Group	
	2002 HK\$'000	2001 HK\$'000
Trade receivables	155,970	139,428
Retention monies receivable within one year	3,879	5,074
	159,849	144,502

Notes to the Financial Statements

31 December 2002

22. TRADE AND RETENTION MONIES RECEIVABLES (Continued)

The Group grants a credit period to its customers ranging from cash on delivery to 60 days. A longer credit period may be allowed to customers with a good business relationship. An aged analysis of trade receivables as at the balance sheet date, based on payment due date, is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Current to 30 days	113,661	97,015
31 to 60 days	24,442	23,795
61 to 90 days	6,734	10,286
Over 90 days	21,463	18,080
	166,300	149,176
Provision	(10,330)	(9,748)
	155,970	139,428

23. AMOUNTS DUE FROM/TO RELATED COMPANIES

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment.

24. SHORT TERM INVESTMENTS

	Group and Company	
	2002 HK\$'000	2001 HK\$'000
Other investments:		
Listed equity investments in Hong Kong, at market value	8,641	20,471
Unlisted equity investments, at fair value	1,161	1,161
	9,802	21,632

Notes to the Financial Statements

31 December 2002

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Cash and bank balances	18,547	27,311	6,014	20,785
Time deposits	23,881	35,028	4,026	5,008
Cash and cash equivalents	42,428	62,339	10,040	25,793

26. TRADE AND BILLS PAYABLES

	Group	
	2002 HK\$'000	2001 HK\$'000
Trade payables	51,247	45,845
Bills payable	11,961	8,748
	63,208	54,593

An aged analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Current to 30 days	39,542	27,460
31 to 60 days	4,643	6,438
61 to 90 days	1,980	4,312
Over 90 days	5,082	7,635
	51,247	45,845

27. BANKING FACILITIES

As at 31 December 2002, the Company and the Group had certain banking facilities which were secured by the followings:

- (i) a legal charge over certain leasehold land and buildings (*note 13*); and
- (ii) legal charges over certain properties held for resale (*note 19*).

Notes to the Financial Statements

31 December 2002

28. INTEREST-BEARING BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank overdrafts, unsecured	33,848	27,686	–	–
Loans from banks and other financial institutions, secured	30,239	52,191	9,000	–
	64,087	79,877	9,000	–

The maturity of the above bank loans, overdrafts and other borrowings is as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank overdrafts repayable within one year or on demand	33,848	27,686	–	–
Bank loans and other borrowings repayable:				
Within one year or on demand	16,752	34,074	4,500	–
In the second year	13,487	9,130	4,500	–
In the third to fifth years, inclusive	–	8,987	–	–
	30,239	52,191	9,000	–
Portion classified as current liabilities	(50,600)	(61,760)	(4,500)	–
Long term portion	13,487	18,117	4,500	–

Notes to the Financial Statements

31 December 2002

29. PROVISIONS

Group

	Corporate guarantee		Long service payment		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year	22,800	16,000	1,788	–	24,588	16,000
Arising from acquisition of subsidiaries	–	–	–	2,046	–	2,046
Provision/(overprovision) for the year	9,480	21,156	904	(38)	10,384	21,118
Amounts utilised during the year	(16,280)	(14,356)	(895)	(220)	(17,175)	(14,576)
At 31 December	16,000	22,800	1,797	1,788	17,797	24,588
Portion classified as current liabilities	(16,000)	(22,800)	–	(733)	(16,000)	(23,533)
Long term portion	–	–	1,797	1,055	1,797	1,055

Company

	Corporate guarantee		Long service payment		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year	22,800	16,000	–	–	22,800	16,000
Provision for the year	9,480	21,156	–	–	9,480	21,156
Amounts utilised during the year	(16,280)	(14,356)	–	–	(16,280)	(14,356)
At 31 December	16,000	22,800	–	–	16,000	22,800
Portion classified as current liabilities	(16,000)	(22,800)	–	–	(16,000)	(22,800)
Long term portion	–	–	–	–	–	–

Notes to the Financial Statements

31 December 2002

29. PROVISIONS (Continued)

The Company has given a corporate guarantee for banking facilities granted to Guangdong Parking Limited, an associate of the Group, of HK\$104 million (2001: HK\$104 million). As a result of the impairment loss of the carpark assets held by the associate, a provision of HK\$9,480,000 (2001: HK\$21,156,000) was recognised in the year to cover the probable liabilities arising from the guarantee (*note 38*).

The amount utilised during the year was transferred to the provision for impairment against the amount that the Group has advanced to this associate, as set out in note 16 to the financial statements.

30. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Gross amount due to contract customers (<i>note 21</i>)	3,979	4,957	–	–
Other payables and accrued liabilities	41,373	43,654	3,411	2,790
	45,352	48,611	3,411	2,790

SSAP 34 was adopted during the year, as explained in note 2 and under the heading “Employee benefits” in note 3 to the financial statements. As a result, an accrual is now made at the balance sheet date for the expected future cost of paid annual leave earned during the year by employees, which remained untaken by the employees at the balance sheet date and is permitted to be carried forward and utilised in the following year.

This change in accounting policy has resulted in HK\$976,000 being included in the balance of the Group’s accrued liabilities in respect of paid leave carried forward as at 31 December 2002. As a consequence, the consolidated net loss attributable to shareholders for the year ended 31 December 2002 has been increased by HK\$976,000.

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31. DEFERRED TAX

	Group	
	2002 HK\$'000	2001 HK\$'000
At beginning of year	87	20
Credit for the year (note 10)	–	(20)
Arising from acquisition of subsidiaries	–	87
At 31 December	87	87

The provision for deferred tax is made in respect of accelerated capital allowances to the extent that the liability is expected to crystallise in the foreseeable future.

The principal components of the Group's net deferred tax asset position not recognised in the financial statements are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Accelerated capital allowances	(12)	(92)
Tax losses carried forward	31,918	33,497
	31,906	33,405

32. SHARE CAPITAL

Shares	Company	
	2002 HK\$'000	2001 HK\$'000
<i>Authorised:</i>		
25,000,000,000 ordinary shares of HK\$0.01 each	250,000	250,000
<i>Issued and fully paid:</i>		
3,305,994,984 (2001: 2,755,994,984) ordinary shares of HK\$0.01 each	33,060	27,560
	Number of shares	HK\$'000
At beginning of year	2,755,994,984	27,560
Shares issued	550,000,000	5,500
At 31 December 2002	3,305,994,984	33,060

Notes to the Financial Statements

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32. SHARE CAPITAL (Continued)

Pursuant to a placement agreement dated 8 January 2002, arrangements were made for a private placement to independent third parties of 390,000,000 existing shares of HK\$0.01 each in the Company held by Multi-Investment Group Limited ("MIG"), a substantial shareholder of the Company, at a placing price of HK\$0.025 per share. Concurrently, pursuant to a subscription agreement dated 8 January 2002, MIG subscribed for and was allotted on 22 January 2002 550,000,000 new shares of HK\$0.01 each in the Company at an issue price of HK\$0.025 per share, of which HK\$0.01 per share was credited to share capital and the balance of HK\$0.015 per share was credited to the share premium account. The proceeds from the issue of new shares of HK\$13,750,000 have been fully applied for loan repayment and working capital purposes, as originally intended.

There was no movement in the issued share capital of the Company during the year ended 31 December 2001.

Share options

Details of the Company's share option scheme and the share options granted under the scheme are included in note 33 to the financial statements.

33. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under heading "Employee benefits" in note 3 to the financial statements. As a result, these detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

On 24 September 1993, an Executive Share Option Scheme (the "Scheme") was approved by the shareholders of the Company (as amended by the shareholders of the Company on 28 June 2001), under which the directors of the Company may, at their discretion, offer any employee (including any director) of the Company or of any of its subsidiaries, options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. The summary terms and particulars of outstanding options under the Scheme are disclosed below pursuant to the requirements as contained in Chapter 17 of the Listing Rules.

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33. SHARE OPTION SCHEME (Continued)

Summary of the Scheme

(a) *Purposes of the Scheme*

The purposes of the Scheme are to attract and retain high calibre employees, and to motivate them to a higher level of performance.

(b) *Participants of the Scheme*

The Board may, at its discretion, grant to any employees (including any director) of the Company or of any of its subsidiaries, options to subscribe for the Company's shares.

(c) *Maximum number of shares available for issue under the Scheme*

The maximum number of the shares in respect of which options may be granted under the Scheme is such number of shares, which when aggregated with shares already subject to any other share option schemes of the Company, as represents 10% of the issued share capital of the Company from time to time (excluding for this purpose any shares issued pursuant to the Scheme). As at the date of this annual report, there are 244,780,598 shares available for issue pursuant to options that may be granted, which represents approximately 7.4% of the existing issued share capital of the Company.

(d) *Maximum entitlement to any participant*

Under the Scheme, no options may be granted to any employee which if exercised in full would result in the total number of the Company's shares already issued and issuable to the employee under all the options granted to the employee exceeding 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Scheme.

(e) *Period and payment on acceptance of options*

Under the Scheme, the offer of an option to acquire shares must be accepted in writing in such manner as the Board may prescribe within 14 days from the date of offer and upon payment of a nominal consideration of HK\$1 in total by the participant to the Company, and such consideration is not refundable.

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33. SHARE OPTION SCHEME (Continued)

Summary of the Scheme (Continued)

(f) *Period within which the shares must be taken up under an option*

For those options granted on or before 28 June 2001, the exercise period of the options is 10 years from the date of grant. The number of options that can be exercised is restricted to a maximum of 20% of the shares comprised in the option in the first year from the date of grant and the threshold is increased progressively by 20% in each year until it reaches 100% in the fifth year from the date of grant.

For those options granted after 28 June 2001, an option may be exercised in whole or in part at any time during an exercise period ranging from two to five years from the date of grant as specified by the Board in each grant.

(g) *Basis of determining the exercise price*

The exercise price of the options is determined by the Board and will not be less than the higher of (i) the nominal value of the Company's shares; and (ii) an amount not less than 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of the offer.

(h) *Remaining life of the Scheme*

The Scheme is valid until 23 September 2003.

Particulars of outstanding options

- (a) During the year, options to subscribe for 180,000 shares of the Company lapsed in accordance with the terms of the Scheme due to the resignation of an employee. The exercise price of the options was HK\$0.78 per share.
- (b) During the year, no options were granted or exercised. Future grants under the Scheme will only be made in full compliance with the new Listing Rules requirements.

Apart from the aforesaid, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Notes to the Financial Statements

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33. SHARE OPTION SCHEME (Continued)

Particulars of outstanding options (Continued)

Details of the options granted to directors and employees under the Scheme together with the movements during the year were as follows:

	Number of options held at 1 January 2002	Number of options lapsed during the year	Number of options held at 31 December 2002	Exercise price per share HK\$	Date of grant	Exercisable from	Exercisable until
Share options to directors							
Stephen Sek-Kee Yu	1,000,000	–	1,000,000	0.78	1 June 1994	1 June 1994	31 May 2004
	500,000	–	500,000	0.78	22 December 1995	22 December 1995	21 December 2005
	500,000	–	500,000	0.78	7 June 1997	1 June 1994	31 May 2004
	250,000	–	250,000	0.78	7 June 1997	22 December 1995	21 December 2005
	12,000,000	–	12,000,000	0.07	16 June 1999	16 July 1999	15 July 2009
	14,250,000	–	14,250,000				
Frank Kwok-Kit Chu	800,000	–	800,000	0.78	9 June 1994	9 June 1994	8 June 2004
	400,000	–	400,000	0.78	7 June 1997	9 June 1994	8 June 2004
	8,000,000	–	8,000,000	0.07	13 July 1999	13 July 1999	12 July 2009
	9,200,000	–	9,200,000				
Peter Chi-Chung Luk	4,000,000	–	4,000,000	0.07	12 July 1999	12 July 1999	11 July 2009
Herman Man-Hei Fung	8,000,000	–	8,000,000	0.07	13 July 1999	13 July 1999	12 July 2009
Kenneth Kin-Hing Lam	800,000	–	800,000	0.78	2 June 1994	2 June 1994	1 June 2004
	800,000	–	800,000	0.78	8 January 1996	8 January 1996	7 January 2006
	400,000	–	400,000	0.78	7 June 1997	2 June 1994	1 June 2004
	400,000	–	400,000	0.78	7 June 1997	8 January 1996	7 January 2006
	8,000,000	–	8,000,000	0.07	21 July 1999	21 July 1999	20 July 2009
	10,400,000	–	10,400,000				
Sub-total	45,850,000	–	45,850,000				
Share options to employees							
In aggregate	225,000	–	225,000	0.78	4 June 1994	4 June 1994	3 June 2004
	555,000	–	555,000	0.78	10 June 1994	10 June 1994	9 June 2004
	180,000	(180,000)	–	0.78	27 December 1995	27 December 1995	26 December 2005
	225,000	–	225,000	0.78	2 January 1996	2 January 1996	1 January 2006
	4,000,000	–	4,000,000	0.07	16 July 1999	16 July 1999	15 July 2009
	4,000,000	–	4,000,000	0.07	19 July 1999	19 July 1999	18 July 2009
Sub-total	9,185,000	(180,000)	9,005,000				
Total	55,035,000	(180,000)	54,855,000				

The exercise in full of the outstanding share options would result in the issue of 54,855,000 additional ordinary shares for an aggregate amount of approximately HK\$8.7 million.

Notes to the Financial Statements

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34. RESERVES

(a) Group

	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2001	554,756	207,658	–	(493,421)	268,993
Provision for impairment of goodwill of a subsidiary	–	1,820	–	–	1,820
Provision for impairment of goodwill of an associate	–	10,598	–	–	10,598
Net loss attributable to shareholders	–	–	–	(129,052)	(129,052)
At 31 December 2001 and 1 January 2002	554,756	220,076	–	(622,473)	152,359
Issue of shares	8,250	–	–	–	8,250
Share issue expenses	(282)	–	–	–	(282)
Exchange realignment	–	–	84	–	84
Net loss attributable to shareholders	–	–	–	(58,407)	(58,407)
At 31 December 2002	562,724	220,076	84	(680,880)	102,004
Retained by (accumulated in):					
The Company and subsidiaries	562,724	220,076	84	(658,495)	124,389
Associates	–	–	–	(22,385)	(22,385)
At 31 December 2002	562,724	220,076	84	(680,880)	102,004
The Company and subsidiaries	554,756	220,076	–	(603,856)	170,976
Associates	–	–	–	(18,617)	(18,617)
At 31 December 2001	554,756	220,076	–	(622,473)	152,359

Notes to the Financial Statements

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34. RESERVES (Continued)

(a) Group (Continued)

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves.

The amount of the goodwill remaining in consolidated reserves as at 31 December 2002, arising from the acquisition of a subsidiary and an associate prior to 1 January 2001, is as follows:

	Goodwill eliminated against capital reserve
	<i>HK\$'000</i>
Cost:	
At beginning of year and as at 31 December 2002	28,842
Accumulated impairment:	
At beginning of year and as at 31 December 2002	12,418
Net book value:	
At 31 December 2002	16,424
At 31 December 2001	16,424

(b) Company

	Share premium account	Capital reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2001	554,756	236,500	(501,692)	289,564
Net loss for the year	–	–	(137,205)	(137,205)
At 31 December 2001 and 1 January 2002	554,756	236,500	(638,897)	152,359
Issue of shares	8,250	–	–	8,250
Share issue expenses	(282)	–	–	(282)
Net loss for the year	–	–	(68,895)	(68,895)
At 31 December 2002	562,724	236,500	(707,792)	91,432

Notes to the Financial Statements

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35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	2001 HK\$'000
Net assets acquired:	
Fixed assets	9,360
Other assets	2,286
Inventories and construction contracts	26,417
Trade and retention monies receivables	23,466
Deposits, prepayments and other receivables	1,950
Cash and bank balances	579
Trade payables and other accruals	(27,498)
Trust receipt loans	(14,506)
Tax payable	(319)
Current portion of a bank loan	(1,038)
Bank overdrafts	(8,580)
Long term portion of a bank loan	(2,496)
Deferred tax	(87)
Minority interests	(1,007)
	8,527
Goodwill on acquisition	1,342
	9,869
Satisfied by:	
Cash	9,869

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2001 HK\$'000
Cash consideration	9,869
Bank overdrafts (net of cash and bank balances) of subsidiaries acquired	8,001
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	17,870

The subsidiaries acquired in the prior year contributed HK\$34,659,000 to turnover and HK\$3,096,000 to the consolidated loss after tax and before minority interests for that year.

Notes to the Financial Statements

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35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries

	2001 HK\$'000
Net assets disposed of:	
Inventories	1,365
Trade and retention monies receivables	486
Deposits, prepayments and other receivables	234
Cash and bank balances	34
Trade payables and other accruals	(1,632)
	487
Loss on disposal of subsidiaries (<i>note 6</i>)	(487)
	–
Satisfied by:	
Cash received	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposals of the subsidiaries is as follows:

	2001 HK\$'000
Cash consideration received	–
Cash and cash equivalents disposed of	34
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	34

The subsidiary disposed of in the prior year made no significant contribution to the Group's turnover or contribution to the consolidated loss after tax and before minority interests for that year.

(c) Major non-cash transactions

In the prior year, the Group's interests in certain listed shares, with a carrying amount of HK\$42,656,000, were reclassified from long term investments to short term investments. Also, certain leasehold land and buildings of the Group with a net carrying amount of HK\$7,285,000 were reclassified from fixed assets to properties held for resale.

Notes to the Financial Statements

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36. RELATED PARTY TRANSACTIONS

- (a) Set out below are the significant transactions between the Group and related parties during the year:

	Notes	Group	
		2002 HK\$'000	2001 HK\$'000
Management fees paid to a major shareholder (i)		2,000	1,750
Rental and office expenses paid to a related company (ii)	(ii)	688	796
Sales of goods to an associate (iii)	(iii)	(27)	(2,762)
Service income from a related company (iv)	(iv)	(2,655)	(2,489)

Notes:

- (i) The management fees are charged by Chinney Investments, Limited ("CIL") based on the time involvement of the personnel providing services. James Sai-Wing Wong and Herman Man-Hei Fung, directors of the Company, are also directors of and have beneficial interests in CIL.
- (ii) The rental and office expenses were charged by Hon Kwok Land Investment Company, Limited ("Hon Kwok") on an actual basis. James Sai-Wing Wong and Herman Man-Hei Fung are directors of and have beneficial interests in Hon Kwok.
- (iii) The sales of products to subsidiaries of Shun Cheong, an associate of the Group, were made according to the published prices and conditions offered to third-party customers. James Sai-Wing Wong and Stephen Sek-Kee Yu are common directors of the Company and Shun Cheong.
- (iv) The service income earned from subsidiaries of CIL was determined according to the published prices and conditions offered to third-party customers.
- (b) In the prior year, the Group as the purchaser entered into a sale and purchase agreement with CIL as the vendor to acquire the entire issued share capital of Best Treasure Limited ("Best Treasure") for a cash consideration of HK\$9,869,000. The consideration was determined by reference to the unaudited pro forma net tangible assets of Best Treasure and its subsidiaries. CIL is a substantial shareholder of the Company. Accordingly, the transaction constituted a connected transaction for the Company under the Listing Rules. The transaction was completed on 3 September 2001.

Notes to the Financial Statements

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37. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twelve years.

At 31 December 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	4,304	4,341	–	–
In the second to fifth years, inclusive	3,866	3,549	–	–
Beyond 5 years	263	–	–	–
	8,433	7,890	–	–

38. CONTINGENT LIABILITIES

In respect of bank guarantees given in favour of banks in connection with banking facilities granted to:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Subsidiaries	–	–	392,000	424,000
An associate	104,000	104,000	104,000	104,000
	104,000	104,000	496,000	528,000

As at 31 December 2002, the total facilities utilised by the subsidiaries and the associate amounted to HK\$284,285,000 (2001: HK\$265,966,000). As detailed in note 29 to the financial statements, a further provision of HK\$9,480,000 (2001: HK\$21,156,000) was recognised in the year to cover the probable liabilities arising from the guarantee in respect of the banking facilities granted to an associate.

39. COMMITMENTS

In addition to the operating lease arrangements detailed in note 37 above, at the balance sheet date, the Group had commitments under forward foreign exchange contracts amounting to HK\$26,011,000 (2001: HK\$40,370,000).

The Group and the Company had no other significant commitment at the balance sheet date.

Notes to the Financial Statements

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40. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 April 2003.