

1. GENERAL

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

The principal activities of the Group are the manufacturing and marketing of electric fans and other electrical household appliances, investment holding, property investment and trading of and investments in securities.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

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

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the year. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. 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. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as investing cash flows for interest and dividends received and as financing cash flows for interest and dividends paid. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement in the comparative amounts shown in the cash flow statement.

Employee benefits

In the current year, the Group has adopted SSAP 34, which 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

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 31st December each year.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on acquisitions prior to 1st 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 1st 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 as a separate intangible asset.

On disposal of a subsidiary or associate, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the gain or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

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, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost less any identified impairment loss.

Revenue recognition

(i) *Development properties*

Income from properties developed for sale, where there are no pre-sales prior to completion of the development, is recognised on the execution of a binding sale agreement.

Income from properties pre-sold prior to completion of the development is recognised over the period from the execution of a binding sales agreement to the completion of the development on the basis of development costs to date as a proportion of estimated total development costs.

(ii) *Others*

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

Sales of securities are recognised when the sales transactions are completed and ownership of the securities is transferred.

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

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

Rental from investment properties is recognised on a straight line basis over the periods of the respective tenancies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment other than properties under development are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation is provided to write off the cost of property, plant and equipment other than properties under development over their estimated useful lives on a straight-line basis at the following rates per annum and after taking into account their estimated residual value, if applicable:

Category of assets	Annual rates
Land and buildings in Hong Kong under long leases	2%
Land and buildings in other regions of the People's Republic of China ("PRC")	
Land use rights	Remaining terms of the land use rights
Buildings	The shorter of the estimated useful lives or remaining terms of the land use rights
Land and buildings in the United States of America ("USA") and Canada	
Freehold land	Nil
Buildings	3.33%
Toll road	Over the remaining operation period
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles	20% to 33.33%
Berthing space	Remaining term of the berthing lease

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in securities

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

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

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 net profit or loss for the period. For other securities not held for trading purposes, 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 net profit or loss for the period.

Properties under development

Properties under development for future investment or for own use purposes are classified under property, plant and equipment and are stated at cost less any identified impairment loss. Properties under development for sale are classified under current assets and are stated at the lower of cost and net realisable value. Cost comprises land cost and development expenditure.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting 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.

Taxi licences

Costs incurred in the acquisition of permanent taxi operation licences are measured initially at cost and amortised on a straight-line basis over 50 years.

The Group holds 451 taxi licences for the exclusive right to run the taxi in Guangzhou, the People's Republic of China and is one of the largest taxi leasing operators in Guangzhou. It is expected that these taxi licences, without expiry date, will be in use for at least fifty years.

In previous years, the cost of taxi licenses was amortised over 20 years. With effect from 1st January, 2002, such cost was amortised over 50 years, unless there is evidence that their useful lives are shorter. The change in the amortisation rate has decreased the amortisation for the year by approximately HK\$2,180,000.

Trademark

Trademark is measured initially at cost and amortised on a straight-line basis over 5 years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as an obligation. Finance costs, which represent the difference between the total leasing commitments and the principal portion at the inception of respective finance leases, are charged to the income statement over the terms of the respective leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight-line basis over the respective terms of leases.

Inventories

Inventories are stated at the lower of cost, computed using weighted average method, and net realisable value.

Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rate prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate 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 as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Retirement benefit scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution scheme and the Mandatory Provident Fund Scheme.

4. TURNOVER

Turnover represents the amounts received and receivable for goods sold to outside customers, property rental income, proceeds from property sale and trading of securities and other investment income during the year, and is analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Sale of goods	1,029,350	943,835
Proceeds from trading of securities	251,464	1,025,804
Sale of properties	22,958	167,944
Property rental income	57,391	45,731
Toll fee income	27,308	22,591
Taxi licence fee income	9,740	6,138
	<u>1,398,211</u>	<u>2,212,043</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into nine operating divisions - electrical household appliances, electric cables and steel pipes, steel processing, property leasing, property development, securities trading, toll road operations, car rental and direct investments. These divisions form the basis on which the Group reports its primary segment information.

The principal activities are as follows:

- Electrical household appliances – manufacture and marketing of electric fans, vacuum cleaners and other electrical household appliances
- Electric cables and steel pipes – manufacture and trading of electric cables and steel pipes
- Steel processing – steel plate processing and trading
- Property leasing – leasing of properties
- Property development – property investment and development
- Securities trading – trading of securities
- Toll road operations – toll road management and operations
- Car rental – leasing of taxis and fleet management
- Direct investments – investments in securities of technology companies

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment information about these businesses is presented below.

TURNOVER AND RESULT

Year ended 31st December, 2002

	Electrical household appliances	Electric cables and steel pipes	Steel processing	Property leasing	Property development	Securities trading	Toll road operations	Car rental	Direct investments	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER (Note)	874,453	55,402	99,495	57,391	22,958	251,464	27,308	9,740	-	-	1,398,211
RESULT											
Segment result	24,608	(27,945)	4,627	50,262	(3,334)	(45,902)	5,908	6,512	(31,765)	-	(17,029)
Unallocated corporate expenses											(44,745)
Other income											1,399
Interest income											33,908
Loss from operations											(26,467)
Finance costs	(231)	(9)	(810)	(5,725)	-	(23)	(4,201)	(118)	-	(695)	(11,812)
Shares of results of associates	-	-	-	1,650	(10,280)	-	-	-	(501)	-	(9,131)
Gain on deemed and partial disposal of interest in an associate										345	345
Gain on disposal of an associate										265	265
Gain on deconsolidation of a subsidiary										425	425
Loss from ordinary activities before taxation											(46,375)
Taxation											(10,633)
Loss before minority interests											(57,008)
Minority interests											(3,454)
Net loss for the year											(60,462)

Note: There is no inter-segment sales between different business segments for the year ended 31st December, 2002.

Notes to the Financial Statements

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

FINANCIAL POSITIONS

At 31st December, 2002

	Electrical household appliances	Electric cables and steel pipes	Steel processing	Property leasing	Property development	Securities trading	Toll road operations	Car rental	Direct investments	Unallocated assets/liabilities	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS											
Segment assets	252,596	154,976	134,991	550,238	3,615	140,830	402,634	152,954	97,656	-	1,890,490
Investments in associates	-	-	-	437,752	68,603	-	-	-	36,493	101	542,949
Unallocated corporate assets										70,767	70,767
Consolidated total assets											<u>2,504,206</u>
LIABILITIES											
Segment liabilities	96,492	16,453	47,554	80,520	349	10,022	296,774	28,063	6,763	-	582,990
Unallocated corporate liabilities										63,551	63,551
Consolidated total liabilities											<u>646,541</u>

OTHER INFORMATION

Year ended 31st December, 2002

	Electrical household appliances	Electric cables and steel pipes	Steel processing	Property leasing	Property development	Securities trading	Toll road operations	Car rental	Direct investments	Unallocated amounts	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	4,984	690	81	4,612	-	-	27	11,470	2,131	599	24,594
Depreciation and amortisation	11,116	33,267	4,198	68	-	-	16,158	2,527	2,563	3,053	72,950
Impairment losses recognised in income statement	8,025	-	-	-	-	-	-	-	12,121	-	20,146
Allowances (reversal of allowances) for doubtful debts	4,897	(592)	284	-	-	-	-	-	407	2,488	7,484
Non-current assets written off	-	-	-	2,308	-	-	-	-	-	-	2,308

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

TURNOVER AND RESULT

Year ended 31st December, 2001

	Electrical household appliances	Electric cables and steel pipes	Steel processing	Property leasing	Property development	Securities trading	Toll road operations	Car rental	Direct investments	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER (Note)	782,272	62,192	99,371	45,731	167,944	1,025,804	22,591	6,138	-	-	2,212,043
RESULT											
Segment result	9,846	(38,276)	(2,259)	40,857	4,777	(29,543)	2,431	1,256	(75,776)	-	(86,687)
Unallocated corporate expenses											(39,247)
Other income											11,847
Interest income											45,270
Loss from operations											(68,817)
Finance costs	(1,173)	-	(1,156)	(5,375)	-	(966)	(23,614)	(491)	-	(1,664)	(34,439)
Shares of results of associates	-	-	-	109,988	(21,269)	-	-	-	(2,247)	10,054	96,526
Gain on deemed and partial disposal of interest in an associate										12,512	12,512
Profit from ordinary activities before taxation											5,782
Taxation											(171)
Profit before minority interests											5,611
Minority interests											27,127
Net profit for the year											32,738

Note: There is no inter-segment sales between different business segments for the year ended 31st December, 2001.

FINANCIAL POSITIONS

At 31st December, 2001

	Electrical household appliances	Electric cables and steel pipes	Steel processing	Property leasing	Property development	Securities trading	Toll road operations	Car rental	Direct investments	Unallocated assets/liabilities	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS											
Segment assets	287,481	200,732	145,501	564,837	43,113	182,736	423,531	148,477	104,574	-	2,100,982
Investments in associates	-	-	-	442,610	40,611	-	-	-	42,526	101	525,848
Unallocated corporate assets										77,007	77,007
Consolidated total assets											2,703,837
LIABILITIES											
Segment liabilities	90,824	24,677	73,256	103,226	2,802	30,332	309,578	69,016	5,790	-	709,501
Unallocated corporate liabilities										49,391	49,391
Consolidated total liabilities											758,892

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

OTHER INFORMATION

Year ended 31st December, 2001

	Electrical household appliances	Electric cables and steel pipes	Steel processing	Property leasing	Property development	Securities trading	Toll road operations	Car rental	Direct investments	Unallocated amounts	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	10,498	227	588	97,644	-	-	242	86,724	11,722	2,009	209,654
Depreciation and amortisation	12,363	35,284	4,380	-	-	-	16,166	2,556	1,185	3,039	74,973
Impairment losses recognised in income statement	-	-	-	-	-	-	-	-	72,743	-	72,743
Allowances for doubtful debts	4,850	2,118	447	73	-	-	-	-	-	2,031	9,519
Non-current assets written off	-	-	-	1,023	-	-	-	-	-	-	1,023

Geographical segments

The Group's operations are located in Hong Kong, PRC, North America, Europe and Asia other than Hong Kong and the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	2002 HK\$'000	2001 HK\$'000
Hong Kong	334,060	866,006
PRC	484,520	433,596
North America	554,351	907,141
Europe	99,289	108,907
Asia, other than Hong Kong and PRC	84,480	64,817
Others	138,874	73,688
Elimination of inter-segment sales	(297,363)	(242,112)
	1,398,211	2,212,043

In geographical analysis, included in turnover of Hong Kong and the PRC markets, there are inter-segment sales amounting to HK\$124,700,000 (2001: HK\$130,096,000) and HK\$172,663,000 (2001: HK\$112,016,000).

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets, and additions to investment properties, 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 investment properties, property, plant and equipment and intangible assets	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	255,667	390,084	752	2,441
PRC	1,833,711	1,810,411	16,110	120,884
North America	371,100	419,486	7,732	86,329
Europe	21,533	3,311	–	–
Asia, other than Hong Kong and PRC	9,777	64,855	–	–
Others	12,418	15,690	–	–
	<u>2,504,206</u>	<u>2,703,837</u>	<u>24,594</u>	<u>209,654</u>

6. OTHER OPERATING INCOME

	2002	2001
	HK\$'000	HK\$'000
Included in other operating income are:		
Interest earned from		
Bank deposits	2,210	4,270
Associates	31,267	37,960
Others	431	3,040
	<u>33,908</u>	<u>45,270</u>
Dividends received from trading securities held	1,553	2,791
Exchange gains, net	–	3,225
Interest receivable waived by a minority shareholder of a subsidiary	3,931	–
	<u>3,931</u>	<u>–</u>

7. OTHER OPERATING EXPENSES

	2002	2001
	HK\$'000	HK\$'000
Included in other operating expenses are:		
Allowances for doubtful debts	7,484	9,519
	<u>7,484</u>	<u>9,519</u>

8. IMPAIRMENT LOSS ON INVESTMENT IN SECURITIES NOT HELD FOR TRADING

During the year, the directors of the Company reviewed the carrying value of the investment securities not held for trading. For the investments with business at the initial setup stage in developing the advanced semiconductor, internet related hardware and software, the related investment cost of approximately HK\$12,121,000 (2001:HK\$72,743,000) was considered to be fully impaired with regard to the current market situation.

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9. LOSS FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Amortisation of goodwill (included in depreciation and amortisation expenses)	1,387	1,387
Amortisation of intangible assets (included in depreciation and amortisation expenses)	2,032	1,992
Amortisation of premium on acquisition of associates (included in depreciation and amortisation expenses)	48	–
Auditors' remuneration	1,972	2,025
Charitable and other donations	958	2,214
Depreciation of property, plant and equipment		
– owned assets	69,483	71,586
– assets held under a finance lease	–	8
Exchange losses, net	4,191	–
Unrealised loss on trading securities		
– listed	29,272	26,228
– unlisted	6	350
and after crediting:		
Gain on disposal of intangible assets	792	–
Gain on disposal of property, plant and equipment	3,142	1,558
Net property rental income (after deduction of outgoings of HK\$7,129,000 (2001: HK\$4,874,000))	<u>50,262</u>	<u>40,857</u>

10. DIRECTORS' EMOLUMENTS

	2002 HK\$'000	2001 HK\$'000
Directors' fees		
Executives	480	480
Non-executives	80	80
Independent non-executives	<u>160</u>	<u>160</u>
	720	720
Other emoluments		
Executives		
Salaries, allowances and other benefits	8,866	8,845
Retirement fund contributions	<u>427</u>	<u>426</u>
Total emoluments	<u>10,013</u>	<u>9,991</u>

10. DIRECTORS' EMOLUMENTS (continued)

Emoluments of the directors were within the following bands:

Emolument bands

	2002 Number of Directors	2001 Number of Directors
Up to HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	–	–
HK\$2,500,001 – HK\$3,000,000	1	1
HK\$3,000,001 – HK\$3,500,000	–	–
HK\$3,500,001 – HK\$4,000,000	1	1
	<u>1</u>	<u>1</u>

In the current year, 3 (2001: 3) directors waived emoluments of HK\$28,300 (2001: HK\$28,300) in total.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, 3 (2001: 3) were directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining 2 (2001: 2) were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries, allowances and other benefits	2,947	2,656
Retirement fund contributions	133	133
	<u>3,080</u>	<u>2,789</u>

Their emoluments were within the following bands:

	2002 Number of employees	2001 Number of employees
Up to HK\$1,000,000	–	–
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	1
	<u>1</u>	<u>1</u>

12. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	6,735	8,465
Other borrowings from minority shareholders	4,201	24,856
Obligations under a finance lease	–	5
Others	876	1,113
	<u>11,812</u>	<u>34,439</u>

13. RETIREMENT BENEFITS SCHEME

The Group joined Mandatory Provident Fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No contribution could be forfeited to reduce the contribution payable in the future years.

Prior to joining the MPF Scheme, the Group operated a defined contribution retirement benefit scheme ("Old Scheme") for its qualifying employees in Hong Kong and paid contributions to the scheme at rates specified in the rules of the Old Scheme on the monthly compensation to the qualifying employees. All the assets under the Old Scheme were transferred to the MPF Scheme and are separately identified within the MPF Scheme and members can withdraw their entitled benefits from the Old Scheme in accordance with the scheme rules once they resign from the Group and all the respective forfeited contributions of the Group will be used to reduce the contributions payable in the future years.

According to the relevant laws and regulations in the PRC, the PRC subsidiaries are required to contribute a certain percentage of the salaries and wages of their employees to the retirement benefits schemes to fund the retirement benefits of their employees (the "PRC Scheme"). No forfeited contribution is available to reduce the contribution payable in the future years.

The Group's contribution to the MPF Scheme and the PRC Scheme are charged to the income statement as expenses.

During the year, the Group made retirement benefit scheme contributions of HK\$2,832,000 (2001: HK\$3,459,000), net of the forfeited contributions utilised in Old Scheme amounting to HK\$Nil (2001: HK\$37,000).

14. TAXATION

	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Profit for the year		
Hong Kong	3,915	4,773
Other regions in the PRC	6,718	641
	<u>10,633</u>	<u>5,414</u>
Overprovision in prior years		
Hong Kong	–	(33)
Other regions in the PRC	–	(5,210)
	<u>–</u>	<u>(5,243)</u>
	<u>10,633</u>	<u>171</u>
Taxation attributable to the Company and its subsidiaries	3,766	4,651
Share of taxation of associates	6,867	(4,480)
	<u>10,633</u>	<u>171</u>

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for the year.

Taxation arising in other regions of the PRC is calculated at 33% (2001: 33%) of the estimated assessable profit.

Details of the potential deferred tax charge not provided for the year are set out in note 37.

15. DIVIDENDS

	2002 HK\$'000	2001 HK\$'000
Ordinary shares:		
Interim, paid – 1.0 cent (2001: 1.5 cents) per share	5,097	7,654
Final, proposed – 1.0 cent (2001: 2.5 cents) per share	4,444	12,744
	<u>9,541</u>	<u>20,398</u>

The final dividend of 1.0 cent (2001: 2.5 cents) per share has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

16. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the following data:

	2002 HK\$'000	2001 HK\$'000
(Loss) earnings for the purposes of basic (loss) earnings per share	<u>(60,462)</u>	<u>32,738</u>
	<u>2002</u> <u>'000</u>	<u>2001</u> <u>'000</u>
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<u>503,326</u>	<u>510,474</u>

As the exercise price of the options outstanding during the two years ended 31st December, 2002 was higher than the average market price of the Company's ordinary shares, there was no dilutive effect on (loss) earnings per share.

17. INVESTMENT PROPERTIES

	THE GROUP HK\$'000	THE COMPANY HK\$'000
At 1st January, 2002	443,467	17,000
Exchange realignment	(33)	–
Additions	35	–
Adjustments to acquisition cost	(996)	–
Transfer from property, plant and equipment	97,979	–
Revaluation decrease	(2,770)	(2,800)
At 31st December, 2002	<u>537,682</u>	<u>14,200</u>

The Group's investment properties in Hong Kong and the PRC were revalued as at 31st December, 2002 by Messrs. Knight Frank, an independent firm of professional valuers, on an open market existing use basis. The investment properties in the USA were revalued as at 31st December, 2002 on an income capitalisation approach with reference to comparable market conditions by Cushman & Wakefield of California, Inc., an independent firm of professional valuers. The investment properties in Canada were revalued as at 31st December, 2002 on an income approach to value by JMS Canada Ltd., an independent firm of professional valuers. These valuations gave rise to a revaluation deficit totalling HK\$2,770,000 (2001: HK\$12,910,000) which has been debited to the investment property revaluation reserve.

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

17. INVESTMENT PROPERTIES (continued)

The carrying amount of investment properties comprises land and buildings in Hong Kong, the USA, the PRC and Canada as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
In Hong Kong, held under medium term leases	87,200	103,000	14,200	17,000
In the USA, freehold	230,100	120,900	–	–
In other regions of the PRC, held under medium term leases	208,000	208,001	–	–
In Canada, freehold	12,382	11,566	–	–
	537,682	443,467	14,200	17,000

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Toll road in other regions of the PRC HK\$'000	Plant and machinery HK\$'000	Tools, moulds and equipment HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Berthing space HK\$'000	Total HK\$'000
THE GROUP								
COST								
At 1st January, 2002	337,800	440,471	186,002	54,604	44,488	14,525	910	1,078,800
Translation adjustment	(142)	(289)	(472)	(26)	(65)	(5)	–	(999)
Additions	8,055	21	473	1,081	3,388	136	–	13,154
Disposals	(7,840)	(340)	(4,011)	–	(5,201)	(186)	–	(17,578)
Adjustments to acquisition costs	(1,312)	–	–	–	–	–	–	(1,312)
Transfer to investment properties	(97,979)	–	–	–	–	–	–	(97,979)
Other reclassifications	–	–	(2,587)	1,132	1,455	–	–	–
At 31st December, 2002	238,582	439,863	179,405	56,791	44,065	14,470	910	974,086
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1st January, 2002	35,956	24,767	89,977	41,586	21,784	9,914	359	224,343
Translation adjustment	(18)	(15)	(57)	(25)	(7)	(4)	–	(126)
Provided for the year	4,670	16,076	36,402	5,171	5,311	1,818	35	69,483
Eliminated on disposals	(1,499)	–	(1,861)	–	(2,370)	(166)	–	(5,896)
Impairment in value recognised	8,025	–	–	–	–	–	–	8,025
Other reclassifications	–	–	(2,272)	978	1,294	–	–	–
At 31st December, 2002	47,134	40,828	122,189	47,710	26,012	11,562	394	295,829
NET BOOK VALUES								
At 31st December, 2002	191,448	399,035	57,216	9,081	18,053	2,908	516	678,257
At 31st December, 2001	301,844	415,704	96,025	13,018	22,704	4,611	551	854,457

During the year, the land situated in PRC with imperfect title and carrying value amounting to HK\$8,025,000 was considered to be fully impaired.

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18. PROPERTY, PLANT AND EQUIPMENT (continued)

Land and buildings

	Land and buildings in Hong Kong under long leases HK\$'000	Land and buildings in other regions of the PRC under medium term leases HK\$'000	Land and buildings in other regions of the PRC under long leases HK\$'000	Properties under development (Note) HK\$'000	Freehold land and buildings in the USA HK\$'000	Total HK\$'000
THE GROUP						
COST						
At 1st January, 2002	9,994	216,294	11,637	91,683	8,192	337,800
Translation adjustment	–	(136)	(6)	–	–	(142)
Additions	–	447	–	7,608	–	8,055
Disposals	–	(7,840)	–	–	–	(7,840)
Write-off	–	–	–	(1,312)	–	(1,312)
Transfer to investment properties	–	–	–	(97,979)	–	(97,979)
At 31st December, 2002	9,994	208,765	11,631	–	8,192	238,582
ACCUMULATED DEPRECIATION						
At 1st January, 2002	4,722	29,458	147	–	1,629	35,956
Translation adjustment	–	(18)	–	–	–	(18)
Provided for the year	200	4,347	32	–	91	4,670
Eliminated on disposals	–	(1,499)	–	–	–	(1,499)
Impairment in value recognised	–	–	8,025	–	–	8,025
At 31st December, 2002	4,922	32,288	8,204	–	1,720	47,134
NET BOOK VALUES						
At 31st December, 2002	5,072	176,477	3,427	–	6,472	191,448
At 31st December, 2001	5,272	186,836	11,490	91,683	6,563	301,844

Note:

	2002 HK\$'000	2001 HK\$'000
Properties under development		
Land and buildings in the USA, freehold	–	91,683

18. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings in other regions of the PRC under long leases HK\$'000	Land and buildings in Hong Kong under long leases HK\$'000	Plant and machinery HK\$'000	Tools and moulds HK\$'000	Furniture, fittings and office equipment HK\$'000	Motor vehicles HK\$'000	Berthing space HK\$'000	Total HK\$'000
THE COMPANY								
COST								
At 1st January, 2002	1,607	1,478	334	479	12,544	5,474	910	22,826
Additions	-	-	12	-	567	-	-	579
At 31st December, 2002	1,607	1,478	346	479	13,111	5,474	910	23,405
ACCUMULATED DEPRECIATION								
At 1st January, 2002	148	177	291	479	6,306	2,886	359	10,646
Provided for the year	32	30	9	-	1,398	1,326	35	2,830
At 31st December, 2002	180	207	300	479	7,704	4,212	394	13,476
NET BOOK VALUES								
At 31st December, 2002	1,427	1,271	46	-	5,407	1,262	516	9,929
At 31st December, 2001	1,459	1,301	43	-	6,238	2,588	551	12,180

19. GOODWILL

	THE GROUP HK\$'000
COST	
At 1st January, 2002 and 31st December, 2002	15,147
AMORTISATION	
At 1st January, 2002	1,387
Provided for the year	1,387
At 31st December, 2002	2,774
NET BOOK VALUE	
At 31st December, 2002	12,373
At 31st December, 2001	13,760

The amortisation period adopted for goodwill ranges from 5 to 20 years.

20. INTANGIBLE ASSETS

	Taxi licences HK\$'000	THE GROUP Trademark HK\$'000	THE COMPANY Total HK\$'000	THE COMPANY Trademark HK\$'000
COST				
At 1st January, 2002	93,295	2,499	95,794	2,499
Exchange adjustments	(59)	–	(59)	–
Additions	11,405	–	11,405	–
Disposals	(25,829)	–	(25,829)	–
At 31st December, 2002	78,812	2,499	81,311	2,499
AMORTISATION				
At 1st January, 2002	3,911	21	3,932	21
Exchange adjustments	(2)	–	(2)	–
Provided for the year	1,907	125	2,032	125
Eliminated on disposals	(791)	–	(791)	–
At 31st December, 2002	5,025	146	5,171	146
NET BOOK VALUES				
At 31st December, 2002	73,787	2,353	76,140	2,353
At 31st December, 2001	89,384	2,478	91,862	2,478

All of the Group's intangible assets were acquired from third parties.

In the opinion of the directors, the values of the Group's intangible assets are worth at least their respective carrying values at the balance sheet date.

21. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	157,699	105,032
Impairment in value recognised	(95,833)	(95,833)
	61,866	9,199
Loans to subsidiaries (Note)	41,074	93,741
	102,940	102,940

Note: The loans are unsecured and interest-free. Loan of approximately HK\$52,667,000 was capitalised to cost of investment in the relevant subsidiary during the year. In the opinion of the directors, the outstanding balances will not be repayable within twelve months from the balance sheet date and accordingly are shown as non-current assets.

Details of the Company's principal subsidiaries as at 31st December, 2002 are set out in note 46.

22. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	–	–	195	195
Share of net assets	166,735	155,072	–	–
Premium on acquisition of associates (Note a)	953	1,081	–	–
Loans to associates (Note b)	375,261	369,695	–	–
	<u>542,949</u>	<u>525,848</u>	<u>195</u>	<u>195</u>
Impairment in value recognised	–	–	(94)	(94)
	<u>542,949</u>	<u>525,848</u>	<u>101</u>	<u>101</u>

Notes:

- (a) Movements of premium on acquisition of associates are as follows:

	THE GROUP HK\$'000
COST	
At 1st January, 2002	1,081
Eliminated on partial disposal of interest in an associate	(81)
At 31st December, 2002	<u>1,000</u>
AMORTISATION	
At 1st January, 2002	–
Provided for the year	48
Eliminated on partial disposal of interest in an associate	(1)
At 31st December, 2002	<u>47</u>
NET BOOK VALUE	
At 31st December, 2002	<u>953</u>
At 31st December, 2001	<u>1,081</u>

- (b) Other than an amount of HK\$303,851,000 (2001: Nil) which is interest free, the loans to associates are unsecured and carry interest at 10% (2001: 10%) per annum. In the opinion of the directors, the loans to associates will not be repayable within twelve months from the balance sheet date and accordingly are shown as non-current assets.

22. INTERESTS IN ASSOCIATES (continued)

The following details have been extracted from the financial statements of the Group's significant associates.

	Hong Kong Construction SMC Development Limited		China Dynasty Development Ltd.
	For the year ended 31st December,		For the period from 30th April, 2002 (date of incorporation) to 31st December, 2002
	2002	2001	2002
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)
Results for the year			
Turnover	1,001,254	112,215	19,443
Depreciation	210	171	–
(Loss) profit before taxation	(90,199)	(75,964)	18,993
(Loss) profit before taxation attributable to the Group	(18,040)	(15,193)	7,597
	At 31st December,	2001	At 31st December,
	2002	2001	2002
	HK\$'000	HK\$'000	HK\$'000
Financial position			
Total non-current assets	1,060,089	1,985,437	847,000
Total current assets	182,164	212,601	46,903
Total current liabilities	(619,958)	(517,982)	(12,820)
Total non-current liabilities	(218,598)	(1,112,234)	(759,628)
Net assets	403,697	567,822	121,455
Net assets attributable to the Group	80,739	113,564	48,582

Details of the Group's principal associates as at 31st December, 2002 are set out in note 47.

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23. INVESTMENTS IN SECURITIES

THE GROUP

	Held for trading		Not held for trading		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Equity securities						
Unlisted	5	326	254,564	261,424	254,569	261,750
Listed in Hong Kong	80,265	104,231	-	-	80,265	104,231
Listed outside Hong Kong	19,771	44,696	-	-	19,771	44,696
	<u>100,041</u>	<u>149,253</u>	<u>254,564</u>	<u>261,424</u>	<u>354,605</u>	<u>410,677</u>
Impairment loss in value recognised	-	-	(162,810)	(150,689)	(162,810)	(150,689)
	<u>100,041</u>	<u>149,253</u>	<u>91,754</u>	<u>110,735</u>	<u>191,795</u>	<u>259,988</u>
Market value of listed securities	<u>100,036</u>	<u>148,927</u>	<u>-</u>	<u>-</u>	<u>100,036</u>	<u>148,927</u>
Carrying amounts analysed:						
Current	100,041	149,253	-	-	100,041	149,253
Non-current	-	-	91,754	110,735	91,754	110,735
	<u>100,041</u>	<u>149,253</u>	<u>91,754</u>	<u>110,735</u>	<u>191,795</u>	<u>259,988</u>

24. INVENTORIES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Raw materials	71,714	71,641	-	-
Work-in-progress	2,052	4,533	-	-
Finished goods	31,296	35,152	1,418	3,852
	<u>105,062</u>	<u>111,326</u>	<u>1,418</u>	<u>3,852</u>
Note:				
Inventories stated				
At cost	58,068	59,118	1,418	3,852
At net realisable value	46,994	52,208	-	-
	<u>105,062</u>	<u>111,326</u>	<u>1,418</u>	<u>3,852</u>

25. AMOUNTS DUE FROM SUBSIDIARIES

THE COMPANY

The amounts are unsecured, bear interest at prevailing market rates and are repayable on demand.

26. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Properties under development for sale, stated at cost	–	19,883

27. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$78,520,000 (2001: HK\$91,844,000). The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The aged analysis of trade receivables at the balance sheet date is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Current	42,514	46,699
31 – 60 days	16,929	10,180
61 – 90 days	6,845	9,599
91 – 180 days	6,846	7,970
181 – 360 days	3,346	12,722
Over 360 days	2,040	4,674
	78,520	91,844

28. AMOUNT(S) DUE FROM INVESTEE(S)

The Group/Company

The amounts are unsecured, bear interest at prevailing market rates and are repayable on demand.

29. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$62,701,000 (2001: HK\$55,070,000). The aged analysis of trade payables at the balance sheet date is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Current	40,601	41,476
31 – 60 days	10,966	7,500
61 – 90 days	1,056	3,031
91 – 180 days	1,677	1,525
181 – 360 days	6,160	318
Over 360 days	2,241	1,220
	62,701	55,070

30. AMOUNTS DUE TO MINORITY SHAREHOLDERS

THE GROUP

The amount includes loans of HK\$19,890,000 (2001: HK\$19,890,000) which are unsecured and bear interest at the prevailing market rates. The repayment period of these loans was extended to 31st May, 2003 during the year.

The remaining balance of HK\$34,952,000 (2001: HK\$52,002,000), other than the amount of approximately HK\$13,565,000 (2001: HK\$25,550,000) which bears interest at 8% or 5.76% (2001: 8%) per annum, is unsecured, interest-free and is repayable on demand.

31. AMOUNT DUE TO A RELATED COMPANY

THE GROUP AND THE COMPANY

The balance in last year represented the amount due to a company controlled by Mr. Billy Yung Kwok Kee, the director of the Company. The amount was unsecured, interest-free and was repaid during the year.

32. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank loans	112,338	113,860	47,130	38,213
Bank overdrafts	146	25	146	25
	112,484	113,885	47,276	38,238
Secured	68,298	75,647	3,090	–
Unsecured	44,186	38,238	44,186	38,238
	112,484	113,885	47,276	38,238
The maturity of the above borrowings is as follows:				
Within one year	53,460	53,936	47,276	38,238
More than one year, but not exceeding two years	59,024	788	–	–
More than two years, but not exceeding five years	–	2,821	–	–
More than five years	–	56,340	–	–
	112,484	113,885	47,276	38,238
Less: Amounts due within one year shown under current liabilities	(53,460)	(53,936)	(47,276)	(38,238)
Amounts due after one year	59,024	59,949	–	–

33. SHARE CAPITAL

	2002		2001	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
(a) Authorised:				
Ordinary shares of HK\$0.50 each				
Balance at beginning and end of year	<u>900,000</u>	<u>450,000</u>	<u>900,000</u>	<u>450,000</u>
(b) Issued and fully paid:				
Ordinary shares of HK\$0.50 each				
Balance at beginning of year	509,759	254,879	512,526	256,263
Shares repurchased and cancelled	<u>(65,345)</u>	<u>(32,672)</u>	<u>(2,767)</u>	<u>(1,384)</u>
Balance at end of year	<u>444,414</u>	<u>222,207</u>	<u>509,759</u>	<u>254,879</u>

During the year, the Company repurchased its own shares through the Hong Kong Stock Exchange and the Hong Kong and Shanghai Banking Corporation Limited as follows:

Month of repurchase	Number of ordinary shares of HK\$0.50 each '000	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
March	68	0.82	0.82	56
November	63,800	0.95	0.95	65,507
December	<u>1,477</u>	0.95	0.94	<u>1,411</u>
	<u>65,345</u>			<u>66,974</u>

On 25th September, 2002, the Hongkong and Shanghai Banking Corporation Limited acting on behalf of the Company made a conditional offer to repurchase up to 63,800,000 shares of HK\$0.50 each in the capital of the Company at the average cost of HK\$1.03 per share payable in cash. On 25th November, 2002, the offer became unconditional and the Company repurchased a total of 63,800,000 shares.

The above shares were cancelled upon repurchase.

33. SHARE CAPITAL (continued)

(c) Share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 18th April, 1994 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 18th April, 2004. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31st December, 2002, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 25,610,000 (2001: 25,610,000), representing 6% (2001: 5%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time excluding any shares issued pursuant to the Scheme. The aggregate number of shares issued under the options granted to an employee and the number of shares to be issued under the options subsisted and unexercised for the time being held by the same employee should not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The grantee is required to pay a non-refundable consideration of HK\$1.00 per acceptance of the options granted. The exercisable period of the options will be determined by the board of directors and in any event not exceeding a period of 3 years commencing on the expiry of 6 months after the date of acceptance of the options granted. The exercise price is equal to the higher of the nominal value of the shares and 80% of the average closing price of the shares for the five trading days immediately preceding the date of grant.

Movements in the options to subscribe for shares of the year ended 31st December, 2002 are as follows:

Exercisable period	Number of shares under options			Subscription price per share HK\$
	At 1.1.2002 '000	Lapsed during the year '000	At 31.12.2002 '000	
28.07.2000 – 27.07.2003	2,252	–	2,252	1.38
26.11.2000 – 25.11.2003	48	–	48	1.38
28.01.2001 – 27.07.2003	4,392	–	4,392	1.38
26.05.2001 – 25.11.2003	48	–	48	1.38
28.07.2001 – 27.07.2003	4,392	–	4,392	1.38
26.11.2001 – 25.11.2003	48	–	48	1.38
28.01.2002 – 27.07.2003	4,392	–	4,392	1.38
26.05.2002 – 25.11.2003	48	–	48	1.38
28.07.2002 – 27.07.2003	4,392	–	4,392	1.38
26.11.2002 – 25.11.2003	48	–	48	1.38
28.01.2003 – 27.07.2003	5,490	–	5,490	1.38
26.05.2003 – 25.11.2003	60	–	60	1.38
	<u>25,610</u>	<u>–</u>	<u>25,610</u>	

33. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Movements in the options to subscribe for shares for the year ended 31st December, 2001 are as follows:

Exercisable period	Number of shares under options			Subscription price per share HK\$
	At 1.1.2001 '000	Lapsed during the year '000	At 31.12.2001 '000	
28.07.2000 – 27.07.2003	2,320	(68)	2,252	1.38
26.11.2000 – 25.11.2003	48	–	48	1.38
28.01.2001 – 27.07.2003	4,460	(68)	4,392	1.38
26.05.2001 – 25.11.2003	48	–	48	1.38
28.07.2001 – 27.07.2003	4,460	(68)	4,392	1.38
26.11.2001 – 25.11.2003	48	–	48	1.38
28.01.2002 – 27.07.2003	4,460	(68)	4,392	1.38
26.05.2002 – 25.11.2003	48	–	48	1.38
28.07.2002 – 27.07.2003	4,460	(68)	4,392	1.38
26.11.2002 – 25.11.2003	48	–	48	1.38
28.01.2003 – 27.07.2003	5,575	(85)	5,490	1.38
26.05.2003 – 25.11.2003	60	–	60	1.38
	<u>26,035</u>	<u>(425)</u>	<u>25,610</u>	

Details of the share options held by the directors included in the above tables are as follows:

Exercisable period	Number of shares options		Subscription price per share HK\$
	2002 '000	2001 '000	
28.07.2000 – 27.07.2003	1,568	1,568	1.38
28.01.2001 – 27.07.2003	3,440	3,440	1.38
28.07.2001 – 27.07.2003	3,440	3,440	1.38
28.01.2002 – 27.07.2003	3,440	3,440	1.38
28.07.2002 – 27.07.2003	3,440	3,440	1.38
28.01.2003 – 27.07.2003	4,300	4,300	1.38
	<u>19,628</u>	<u>19,628</u>	

No option has been granted to or exercised by any of the directors during the two years ended 31st December, 2002 and no option granted to directors lapsed during the two years ended 31st December, 2002.

Pursuant to the Company's shareholders approval in the extraordinary general meeting held on 11th November, 2002, the share option schemes of Appeon Corporation ("Appeon") and Galactic Computing Corporation ("Galactic"), the wholly-owned subsidiaries of the Company, became effective. Certain directors and employees of Appeon and Galactic were granted options as an incentive to them for their continuing contribution to the companies they worked for at a consideration of HK\$1.00 on acceptance of the option offer. Details of the share option schemes of the subsidiaries are set out in the Company's circular to the shareholders dated 25th October, 2002.

33. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

The number of shares issuable under the share option scheme of Appeon ("Appeon Scheme") is not to exceed 10% of the issued share capital of Appeon from time to time excluding any shares issued pursuant to the Appeon Scheme unless shareholders' approval of Appeon is obtained. At the date of issue of these financial statements, the total number of options available for issue under the Appeon Scheme amounted to 47,680 which represented 1.58% of the issued share capital of Appeon (excluding any shares issued pursuant to the Appeon Scheme) on the same date.

Certain directors of the Company are also the directors of Appeon but no options were granted to these directors since the adoption of the Appeon Scheme.

Movements in the share options to subscribe for shares in Appeon since the adoption of Appeon Scheme are as follows:

Period during which options are exercisable	Subscription price per share US\$	Number of share options	
		Granted during the period	As at 31.12.2002
11.11.2002 – 10.11.2012	2.50	37,374	37,374
01.04.2003 – 10.11.2012	2.50	31,751	31,751
01.10.2003 – 10.11.2012	2.50	31,749	31,749
01.04.2004 – 10.11.2012	2.50	31,751	31,751
01.10.2004 – 10.11.2012	2.50	31,749	31,749
01.04.2005 – 10.11.2012	2.50	30,501	30,501
01.10.2005 – 10.11.2012	2.50	30,499	30,499
01.04.2006 – 10.11.2012	2.50	28,626	28,626
		254,000	254,000

The number of shares issuable under the share option scheme of Galactic ("Galactic Scheme") is not to exceed 10% of the issued share capital of Galactic from time to time excluding any shares issued pursuant to the Galactic Scheme unless shareholders' approval of Galactic is obtained. At the date of issue of these financial statements, the total number of options available for issue under the Galactic Scheme amounted to 197,778 which represented 2.54% of the issued share capital of Galactic (excluding any shares issued pursuant to the Galactic Scheme) on the same date.

Certain directors of the Company are also the directors of Galactic but no options were granted to these directors since the adoption of the Galactic Scheme.

Movements in the share options to subscribe for shares in Galactic since the adoption of Galactic Scheme are as follows:

Period during which options are exercisable	Subscription price per share US\$	Number of share options	
		Granted during the period	As at 31.12.2002
01.06.2003 – 10.11.2012	0.45	66,250	66,250
01.12.2003 – 10.11.2012	0.45	66,250	66,250
01.06.2004 – 10.11.2012	0.45	66,250	66,250
01.12.2004 – 10.11.2012	0.45	66,250	66,250
01.06.2005 – 10.11.2012	0.45	66,250	66,250
01.12.2005 – 10.11.2012	0.45	66,250	66,250
01.06.2006 – 10.11.2012	0.45	66,250	66,250
01.12.2006 – 10.11.2012	0.45	66,250	66,250
		530,000	530,000

34. SHARE PREMIUM AND RESERVES

Details of the movements on the Group's share premium and reserves are set out in the consolidated statement of changes in equity on page 21.

The retained profits of the Group include HK\$89,781,000 (2001: HK\$106,064,000) retained by associates of the Group.

Details of the movements in the Company's reserves are as follows:

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY						
At 1st January, 2001	529,289	14,534	9,197	15,376	1,328,960	1,897,356
Revaluation decrease	-	(2,500)	-	-	-	(2,500)
Shares repurchased	-	-	1,384	-	(3,043)	(1,659)
Loss for the year	-	-	-	-	(85,266)	(85,266)
Overprovision of dividend in previous year due to shares repurchased	-	-	-	(69)	69	-
Interim dividend declared	-	-	-	7,654	(7,654)	-
Dividends paid	-	-	-	(22,961)	-	(22,961)
Final dividend proposed	-	-	-	12,744	(12,744)	-
At 31st December, 2001	529,289	12,034	10,581	12,744	1,220,322	1,784,970
Revaluation decrease	-	(2,800)	-	-	-	(2,800)
Shares repurchased	-	-	32,672	-	(66,974)	(34,302)
Loss for the year	-	-	-	-	(29,364)	(29,364)
Overprovision of dividend in previous year due to shares repurchased	-	-	-	(2)	2	-
Interim dividend declared	-	-	-	5,097	(5,097)	-
Dividends paid	-	-	-	(17,839)	-	(17,839)
Final dividend proposed	-	-	-	4,444	(4,444)	-
At 31st December, 2002	529,289	9,234	43,253	4,444	1,114,445	1,700,665

The Company's reserves available for distribution to shareholders are as follows:

	2002 HK\$'000	2001 HK\$'000
Dividend reserve	4,444	12,744
Retained profits	1,114,445	1,220,322
	1,118,889	1,233,066

35. MINORITY INTERESTS

The Group

Pursuant to agreements entered into by the Group with minority shareholders, there are contractual obligations for the minority shareholders to contribute to the losses of the subsidiaries of which they are shareholders in proportion to the equity interests they hold in these subsidiaries.

36. LOANS FROM MINORITY SHAREHOLDERS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Interest-bearing (Note a)	282,455	283,152
Non-interest-bearing (Note b)	11,106	34,809
	293,561	317,961

Notes:

- (a) The amounts are unsecured, carry interest at 8% or 5.76% (2001: 8%) per annum and are repayable after the settlement of all operating expenses, interest on loans and tax liabilities of the subsidiary. During the year, interest payable to minority shareholders attributable to prior year's interest expenses amounting to HK\$3,931,000 was waived by the minority shareholders.
- (b) The amounts are unsecured. Included in the above balance at 31st December, 2001 was an amount of HK\$22,572,000 which was capitalised as share capital of the relevant subsidiary during the current year.

37. DEFERRED TAX LIABILITIES

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

	2002	2001
	HK\$'000	HK\$'000
THE GROUP		
Shortfall of tax allowances over depreciation	26,987	16,711
Tax losses	144,756	113,230
Other timing differences	13,832	13,417
	185,575	143,358
THE COMPANY		
Excess of tax allowances over depreciation	(1,082)	(1,472)
Tax losses	5,664	2,877
	4,582	1,405

Deferred tax assets have not been recognised in the financial statements as it is not certain that these assets will be utilised in the foreseeable future.

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

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences because of:				
Shortfall of tax allowances over depreciation	10,276	13,759	390	198
Tax losses arising	31,526	11,635	2,787	1,111
Other timing difference	415	5,652	-	-
	42,217	31,046	3,177	1,309

Deferred tax has not been provided on the revaluation surplus arising on the revaluation of investment properties in Hong Kong as profits arising on the disposal of these assets are not subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

Deferred tax has not been provided on revaluation deficit arising on the revaluation of the investment properties in other regions of the PRC and overseas as they are held for long term investment purposes and are not expected to be disposed of in the foreseeable future.

38. DECONSOLIDATION OF A SUBSIDIARY

During the year, the directors determined to deconsolidate an inactive subsidiary, Guangzhou SMC Informatics Co., Ltd., and planned to liquidate this subsidiary in accordance with the respective jurisdiction.

	2002 HK\$'000	2001 HK\$'000
Trade and other receivables	237	–
Trade and other payables	(425)	–
Minority interest	(237)	–
Net liabilities deconsolidated	(425)	–
Gain on deconsolidation of a subsidiary	425	–
	<u>–</u>	<u>–</u>

The subsidiary deconsolidated did not have significant impact to the Group's turnover, results and cash flows.

39. MAJOR NON-CASH TRANSACTIONS

- a. During the year, loans from minority shareholders amounting to HK\$22,572,000 was capitalised as share capital in a subsidiary of the Company.
- b. Included in the other operating income is interest income from associates amounting to HK\$31,267,000 which have not yet received at the balance sheet date.
- c. The sale consideration of the partial disposal of an interest in an associate during the year ended 31st December, 2001 was settled by listed securities amounting to approximately HK\$6,571,000.
- d. In respect of the additions of property, plant and equipment during the year ended 31st December, 2001, an amount of approximately HK\$12,730,000 was included in trade and other payables as at 31st December, 2001 and an amount of HK\$9,360,000 was settled by the Group's investments in securities not held for trading purposes.
- e. The remaining balance of the purchase consideration of an additional interest in a subsidiary amounting to approximately HK\$8,829,000 was included in amounts due to related companies as at 31st December, 2001.

40. PLEDGE OF ASSETS

THE GROUP

Certain of the Group's investment properties with an aggregate book value of HK\$242,481,000 (2001: HK\$132,466,000) were pledged as securities for credit facilities obtained from bankers. As at the balance sheet date, the amount of bank loans and other loan facilities utilised was HK\$65,208,000 (2001: HK\$75,647,000).

As at 31st December, 2001, certain of the Group's properties under development and taxi licences of carrying values of HK\$91,683,000 and HK\$24,515,000 respectively were pledged as securities for credit facilities obtained from bankers and a cash deposit of HK\$727,000 was pledged as security for a construction project in respect of a property under development for sale as required by local authorities in the USA.

41. CONTINGENT LIABILITIES

As at the balance sheet date, the Group and the Company had the following contingent liabilities not provided for in the financial statements.

	2002 HK\$'000	2001 HK\$'000
Shipping and other guarantees	408	1,632
Letter of credit to secure the banking facilities granted to:		
an associate	22,364	30,457
an investee	—	3,120
	<u> </u>	<u> </u>

The Company, together with certain of its subsidiaries, issued cross guarantees to bankers as part of the security for credit facilities granted to the Company and its subsidiaries.

42. POST BALANCE SHEET EVENT

On 28th February, 2003, the government of Foshan Municipal, the PRC (the "Foshan Government"), instructed the local transportation bureau to suspend the toll collections of 28 toll collection stations in order to facilitate the reorganisation of local traffic network. One of the toll collection stations to be suspended is held by a subsidiary of the Company and the corresponding toll collection has been suspended since 15th March, 2003.

Although the negotiation for compensation has not yet commenced, as the Foshan Government has already indicated through press release that the investors' interests in respective toll roads will not be prejudiced as a result of the suspension, the directors considered that there is no impairment in the carrying value of the toll road amounting to HK\$399,035,000 as at 31st December, 2002 as set out in note 18.

43. CAPITAL COMMITMENTS

As at the balance sheet date, the Group had commitments as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Contracted but not provided for in the financial statements:		
Establishment of a joint venture to develop manufacturing facilities in the PRC	6,630	9,360
Purchase of taxi licences	27,492	—
Construction of factory premises	32	—
	<u> </u>	<u> </u>
	<u>34,154</u>	<u>9,360</u>

The Company did not have any capital commitments at the balance sheet date.

44. OPERATING LEASE COMMITMENTS

The Group/Company as lessee

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	1,108	1,311	1,271	1,393

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

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	1,609	863	1,200	1,200
In the second to fifth years inclusive	4,212	173	4,800	4,800
Over five years	87	–	900	2,100
	5,908	1,036	6,900	8,100

Operating lease payments represent rental payable by the Group for certain of its office properties. Leases are negotiated on terms of and rentals are fixed for ranging from one to two years.

The Group/Company as lessor

Property rental income earned during the year was HK\$57,391,000 (2001: HK\$45,731,000). The investment properties of the Group are expected to generate average gross rental yields of 10% on an ongoing basis. All of the investment properties held have committed tenants ranging from one to ten years.

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

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	57,329	43,412	5,193	4,521
In the second to fifth years inclusive	174,484	128,217	1,132	1,483
Over five years	135,997	104,963	–	–
	367,810	276,592	6,325	6,004

45. RELATED PARTY TRANSACTIONS

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

	Notes	Minority shareholders		Associates		Related company	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Purchases from	(a)	55,060	51,195	-	-	-	-
Interest paid to	(b)	5,010	24,856	-	-	-	-
Commission received from	(c)	2,055	955	-	-	-	-
Interest received from	(b)	-	-	31,267	37,960	-	-
Management fee paid	(d)	111	133	-	-	-	-
Commission paid	(e)	-	-	151	-	86	255

Notes:

- The transactions were carried out at cost plus a percentage profit mark-up.
- The transactions were based on interest rates agreed by the parties concerned.
- The transactions were based on an agreed rate charged on trading of goods.
- The transactions were based on the predetermined value agreed between the relevant parties.
- The transactions were based on a fixed rate charged on the value of trading of securities and on an agreed rate charged on the rental income. The commission for trading of securities was paid to a company in which one of the Non-executive Directors of the Group had a beneficial interest.

On 19th December, 2001, the Company acquired the remaining 10% equity interest in Quickjay Management Limited ("Quickjay"), a 90% owned subsidiary of the Company from a company controlled by Mr. Billy Yung Kwok Kee, the director of the Company, and settled the corresponding amount due by the Company and Quickjay to this related company, at an aggregate consideration of approximately HK\$17,913,000 which has been fully paid in year 2002.

The Company had issued a standby letter of credit amounting to approximately HK\$22,364,000 (2001: HK\$30,457,000) to secure the credit facility granted by a banker to its associate.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company (Note a)		Principal activities
				Directly	Indirectly	
Appeon Corporation	British Virgin Islands	Ordinary	3,016,801 shares of US\$0.01 each	–	100%	Investment holding
China Hope Limited	British Virgin Islands	Ordinary	1,000 shares of US\$1 each	–	100%	Investment holding
Dong Wen Investments Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
Extra-Fund Investment Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Securities trading
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US\$1	–	100%	Property investment
Full Revenue Inc.	Samoa	Ordinary	1 share of US\$1	100%	–	Investment holding
Galactic Computing Corporation	British Virgin Islands	Ordinary	7,777,780 shares of US\$0.01 each	–	100%	Investment holding
Guangdong Macro Cables Co., Ltd.	PRC (Note c)	Paid up capital	US\$20,960,000	–	49.41% (Note b)	Manufacturing and trading of cables and electrical wires
Guangzhou SMC Car Rental Company Limited	PRC (Note c)	Paid up capital	HK\$15,000,000	–	95%	Taxi operations
Kinder Limited	Samoa	Ordinary	1 share of US\$1	–	100%	Investment holding
Kirton Corporation	Samoa	Ordinary	1 share of US\$1	–	100%	Property investment
Quanta Global Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Trading of electric fans
Quickjay Management Limited	British Virgin Islands	Ordinary	50,000 shares of US\$1 each	100%	–	Investment holding
Shell & Shinsho Company Limited	Hong Kong	Ordinary	200 shares of US\$1 each	70%	–	Investment holding and trading of materials
Shell Electric Mfg. (China) Company Limited	British Virgin Islands	Ordinary	100 shares of US\$10 each	100%	–	Trading of electric fans

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company (Note a)		Principal activities
				Directly	Indirectly	
Shell Electric Mfg. (China) Sdn. Bhd.	Malaysia	Ordinary	2 shares of RM1 each	100%	–	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	Samoa	Ordinary	1 share of US\$1	100%	–	Trading of electric fans
Shunde Hua Feng Stainless Steel Welded Tubes Limited	PRC (Note c)	Paid up capital	US\$6,792,000	–	90.1%	Manufacturing and trading of welded tubes
Shunde Shunyue Highway Construction Limited	PRC (Note c)	Paid up capital	RMB81,587,000	–	52%	Operation of a highway in the PRC
Shunde SMC Multi-Media Products Company Limited	PRC (Note c)	Paid up capital	US\$9,533,300	–	99.48%	Manufacturing and trading of multi-media products
SMC Cable Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
SMC Development Corp.*	USA	Ordinary	1,000 shares of US\$10 each	–	100%	Property development
SMC Home Products Corp.*	Canada	Ordinary	2,100,100 shares of CAN\$1 each	100%	–	Property investment
SMC Industries Limited	PRC (Note c)	Paid up capital	RMB44,175,000	–	63%	Steel processing
SMC Investments Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Property investment
SMC Marketing Corp.*	USA	Ordinary	10,000 shares of US\$1,021 each	100%	–	Marketing of the Group's products
SMC Microtronic Company Limited	Hong Kong	Ordinary	10,000 shares of HK\$1 each	100%	–	Trading of electronic consumer products
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Trading of multi-media products
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	–	100%	Design, management and trading of multi-media products

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place/country of incorporation/ operation	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company (Note a)		Principal activities
				Directly	Indirectly	
SMC Property Investment Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Investment holding
SMC Steel Pipes Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
Vineyard Management Company *	USA	Ordinary	1,000 shares of US\$10 each	–	100%	Property investment
業盈置業(深圳)有限公司	PRC (Note d)	Paid up capital	HK\$10,000,000	–	100%	Property investment
正陽軟件(深圳)有限公司	PRC (Note d)	Paid up capital	HK\$2,000,000	–	100%	Computer software development
星盈科技(深圳)有限公司	PRC (Note d)	Paid up capital	HK\$3,000,000	–	100%	Computer software and hardware development

Notes:

- (a) Unless otherwise stated in the notes to the financial statements, the proportion of nominal value of issued/registered capital directly or indirectly held by the Company is equal to the proportion of the ownership interest held and the proportion of the voting power held for respective company.
- (b) Pursuant to shareholders' agreement, the Group controls the board of directors of the company.
- (c) The Companies are incorporated in the PRC as cooperative joint ventures.
- (d) The Companies are incorporated in the PRC as foreign owned enterprises.

The above table lists the subsidiaries 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 subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A complete list of all the subsidiaries of the Group will be annexed to the next annual return of the Company.

None of the subsidiaries had any debt securities outstanding during the year.

* Subsidiaries not audited by Deloitte Touche Tohmatsu.

47. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associated company	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
MDCL-Frontline (China) Limited	British Virgin Islands	Ordinary	56,774,194 shares of HK\$1 each	–	28.34%	Trading of computer equipment and provision of computer software support services
China Dynasty Development Ltd.	British Virgin Islands	Ordinary	50,000 shares of US\$1 each	–	40%	Property development
Hong Kong Construction SMC Development Limited *	Hong Kong	Ordinary	10,000,000 shares of HK\$1 each	–	20%	Investment holding
Kumagai SMC Development (Guangzhou) Ltd. *	PRC	Paid up capital	US\$59,000,000	–	20%	Property development

* Associates not audited by Deloitte Touche Tohmatsu.