

Notes to the Financial Statements

For the year ended 31 December 2002

1. GENERAL

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

The Company is an investment holding company. Its subsidiaries and associates are principally engaged in the manufacturing and trading of toys, compressors, shoes, metal tooling, leather products, motors, machinery, capacitors, clothing, property development, information technology related and provision of travel related businesses.

In the opinion of the directors, the Company's ultimate holding company is South China Holdings Limited ("SCH"), a company incorporated in the Cayman Islands with its shares also listed on the Stock Exchange.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group adopted a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants for the first time. Adoption of these standards has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised standards have introduced additional and revised disclosure requirements have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation. Further details of the effect on adopting these new and revised standards are as follows:

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flows statements

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

Notes to the Financial Statements

For the year ended 31 December 2002

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

Employee benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate or at such time as the goodwill is determined to be impaired.

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

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

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

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

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

Investments in subsidiaries

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

Interests in associates

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

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

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

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

Land	Over the lease terms
Buildings	2% to 5%
Furniture and leasehold improvements	20%
Machinery and equipment	10% to 25%
Moulds and tools	20% to 25%
Motor vehicles and vessels	20% to 25%

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

Notes to the Financial Statements

For the year ended 31 December 2002

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

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

No amortisation is provided on investment properties except where the unexpired term of the relevant lease, including the renewable period, is 20 years or less.

Properties under development

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

Land pending development

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

Investments in securities

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Properties held for sale

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

Revenue recognition

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

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

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

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

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

Impairment

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

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

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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

Foreign currencies

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

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

Taxation

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

Retirement benefits scheme

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

Operating leases

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

Notes to the Financial Statements

For the year ended 31 December 2002

4. TURNOVER

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

	2002 HK\$'000	2001 HK\$'000
Sales of merchandise from manufacturing and trading business	1,568,292	1,605,275
Sales of computer hardware and software products	50,004	56,439
Service income from information and technology related business	33,789	52,511
Sales of travel-related products	44,747	—
Rental income	11,074	4,654
Sales of properties	—	1,267
	1,707,906	1,720,146

5. RESTRUCTURING COSTS

Restructuring costs represent the following costs incurred in connection with the reorganisation of certain parts of the Group's operations:

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

Notes to the Financial Statements

For the year ended 31 December 2002

6. PROFIT (LOSS) FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Amortisation of goodwill included in administrative expenses	1,331	—
Auditors' remuneration	1,300	1,650
Depreciation and amortisation on		
- owned assets	46,059	55,956
- assets held under finance leases	167	—
Impairment of intangible assets	—	2,653
Loss on disposal property, plant and equipment	236	134
Staff costs (including directors' emoluments)	325,246	374,229

7. DIRECTORS' EMOLUMENTS

	2002 HK\$'000	2001 HK\$'000
Directors' fees:		
Executive	100	110
Independent non-executive	437	58
Other emoluments of executive directors:		
Salaries and other benefits	3,948	3,886
Discretionary bonus	—	312
Contributions to retirement benefits scheme	182	188
Total emoluments	4,667	4,554

The emoluments of the directors were within the following bands:

	2002 Number of Directors	2001 Number of Directors
Up to HK\$1,000,000	8	7
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	—	—
HK\$2,000,001 to HK\$2,500,000	—	—
HK\$2,500,001 to HK\$3,000,000	1	1
	10	9

Notes to the Financial Statements

For the year ended 31 December 2002

8. EMPLOYEES' EMOLUMENTS

Of the five highest paid individuals in the Group, two (2001: two) were directors of the Company whose emoluments are included the disclosures in note 7 above. The emoluments of the remaining three (2001: three) individuals were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	4,635	4,306
Discretionary bonus	—	4,642
Retirement benefits scheme contributions	165	45
	4,800	8,993

The emoluments were within the following bands:

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

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

9. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest expense on:		
- bank loans and overdrafts wholly repayable within five years	11,854	14,381
- bank loans not wholly repayable within five years	—	2,597
- finance lease	23	—
- advances from related parties	267	3,133
	12,144	20,111
Total borrowing costs		

Notes to the Financial Statements

For the year ended 31 December 2002

10. LOSS ON INTEREST IN ASSOCIATES

Loss on interest in associates comprised:

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

11. NET GAIN ON DISPOSAL OF SUBSIDIARIES

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

Notes:

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

The Group later sold its remaining interest in SCIT and recorded an additional gain of approximately HK\$24 million.

- (ii) During the year, the remaining 49% equity interest in Wah Shing Electronics Company Limited ("WSE") held by a wholly-owned subsidiary of the Company was sold to a wholly-owned subsidiary of Wah Shing International Holdings Limited. Consequently, the Group's effective interest in WSE was diluted from 59.0% to 35.9%. The dilution gave rise to a deemed gain of approximately HK\$9 million.

Notes to the Financial Statements

For the year ended 31 December 2002

12. TAXATION

	2002 HK\$'000	2001 HK\$'000
The (credit) charge comprises:		
Hong Kong Profits tax		
Current year	758	1,797
Underprovision in prior years	672	32,602
	1,430	34,399
Other jurisdictions		
Other regions in the People's Republic of China (the "PRC")	1,593	619
Deferred taxation (note 34)	(577)	—
	2,446	35,018
Taxation attributable to the Company and its subsidiaries	2,446	35,018
Share of taxation attributable to associates	(3,716)	309
	(1,270)	35,327

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

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

Details of the potential deferred tax charge not provided in the year are set out in note 34.

Notes to the Financial Statements

For the year ended 31 December 2002

13. PROFIT (LOSS) PER SHARE

The calculation of the basic profit (loss) per share is based on the profit for the year of approximately HK\$15,217,000 (2001: a loss of HK\$136,962,000 as restated) and on the weighted average number of 530,335,000 (2001: 530,335,000) shares in issue during the year.

The adjustment to comparative basic loss per share, arising from the changes in accounting policies shown in note to the statement of changes in equity, is as follows:

	<i>HK cents</i>
Reconciliation of 2001 basic loss per share:	
Reporting figures before adjustment	25.74
Adjustment arising from the adoption of SSAP 34	0.09
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Restated	25.83
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No diluted earnings per share is presented as there was no dilutive potential ordinary shares in existence during both years.

Notes to the Financial Statements

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14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Furniture and leasehold improvement HK\$'000	Machinery and equipment HK\$'000	Moulds and tools HK\$'000	Motor vehicles and vessels HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP							
COST OR VALUATION							
At 1 January 2002	280,625	182,610	272,588	24,883	20,433	16	781,155
Additions	43	13,678	8,394	603	1,640	—	24,358
Acquired on acquisition of subsidiaries	—	1,030	1,348	—	63	—	2,441
Attributable to disposal of subsidiaries	(2,698)	(1,940)	(3,040)	—	(813)	—	(8,491)
Attributable to a subsidiary reclassified as an associate	(14,840)	(1,764)	(10,453)	—	(867)	—	(27,924)
Transfer to investment properties	(4,157)	—	—	—	—	—	(4,157)
Disposals	—	(8,717)	(13,394)	(32)	(1,472)	(16)	(23,631)
At 31 December 2002	258,973	184,897	255,443	25,454	18,984	—	743,751
Comprising:							
At cost	211,464	184,897	255,443	25,454	18,984	—	696,242
At valuation							
- 1988	31,112	—	—	—	—	—	31,112
- 1989	5,220	—	—	—	—	—	5,220
- 1992	204	—	—	—	—	—	204
- 1994	10,973	—	—	—	—	—	10,973
	258,973	184,897	255,443	25,454	18,984	—	743,751
DEPRECIATION AND AMORTISATION							
At 1 January 2002	55,214	143,970	219,541	22,657	18,024	—	459,406
Provided for the year	8,932	15,266	19,192	1,127	1,709	—	46,226
Attributable to disposal of subsidiaries	(131)	(830)	(771)	—	(316)	—	(2,048)
Attributable to a subsidiary reclassified as an associate	(8,477)	(1,477)	(10,362)	—	(512)	—	(20,828)
Transfer to investment properties	(987)	—	—	—	—	—	(987)
Eliminated on disposals	—	(8,164)	(12,272)	(32)	(1,426)	—	(21,894)
At 31 December 2002	54,551	148,765	215,328	23,752	17,479	—	459,875
NET BOOK VALUE							
At 31 December 2002	204,422	36,132	40,115	1,702	1,505	—	283,876
At 31 December 2001	225,411	38,640	53,047	2,226	2,409	16	321,749

Notes to the Financial Statements

For the year ended 31 December 2002

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	2002 HK\$'000	2001 HK\$'000
Hong Kong		
- held under medium-term lease	76,027	80,052
The PRC		
- held under medium-term land use rights	20,084	59,552
- in the process of applying land use rights	108,311	85,807
	204,422	225,411

Certain land and buildings are stated at revalued amounts. Had those land and buildings been carried at cost less accumulated depreciation and impairment loss, the net book value of the Group's land and buildings as at 31 December 2002 would have been approximately HK\$176 million (2001: HK\$197 million).

The carrying amount of the Group's motor vehicles includes an amount of approximately HK\$929,000 (2001: Nil) in respect of assets held under finance leases.

15. INVESTMENT PROPERTIES

	HK\$'000
VALUATION	
At 1 January 2002	174,817
Acquisition of subsidiaries	2,100
Transferred from property under development	17,882
Transferred from fixed assets	3,170
Deficit on revaluation	(5,049)
	192,920

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

As at 31 December 2002, certain Group's investment properties with carrying value of approximately HK\$148 million (2001: HK\$139 million) are rented out under operating leases.

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15. INVESTMENT PROPERTIES (Continued)

The carrying amount of investment properties comprises:

	2002 HK\$'000	2001 HK\$'000
Hong Kong		
Long-term leases	20,300	37,250
Medium-term leases	162,960	137,567
	<hr/> 183,260	<hr/> 174,817
The PRC		
Medium-term land use rights	9,660	—
	<hr/> 192,920	<hr/> 174,817

16. PROPERTIES UNDER DEVELOPMENT

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

17. LAND PENDING DEVELOPMENT

The land is situated in the PRC and is analysed as follow:

	2002 HK\$'000	2001 HK\$'000
Held under medium-term land use rights	5,000	6,300
In the process of applying land use rights	—	43,976
	<hr/> 5,000	<hr/> 50,276

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18. INTERESTS IN SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	234,018	234,018
Loans to subsidiaries	802,213	855,216
	1,036,231	1,089,234

The loans to subsidiaries are unsecured and have no fixed repayment terms. In the opinions of the Directors, loans to subsidiaries will not be repaid in the next twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

During the year, all loans to subsidiaries were interest-free while during the year ended 31 December 2001, loans of approximately HK\$296 million carried interest at the Hong Kong prime lending rate.

Details of the principal subsidiaries are set out in note 48.

19. INTERESTS IN ASSOCIATES

	2002 HK\$'000	2001 HK\$'000
Share of net assets		
- Listed associate in Hong Kong	108,087	107,323
- Unlisted associates	53,207	71,787
	161,294	179,110
Less: Impairment loss recognised	(3,341)	(3,341)
	157,953	175,769
Loans to associates	281,271	270,647
Less: Allowance for bad and doubtful debts	(103,543)	(36,025)
	177,728	234,622
	335,681	410,391
Market value of listed shares	62,765	108,413

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19. INTERESTS IN ASSOCIATES (Continued)

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

Details of the principal associates are set out in note 49.

20. GOODWILL

	THE GROUP HK\$'000
COST	
Arising on acquisition of subsidiaries/additional interest in a subsidiary and balance at 31 December 2002	8,029
AMORTISATION	
Provided for the year and balance at 31 December 2002	(1,331)
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NET BOOK VALUE	
At 31 December 2002	6,698
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At 31 December 2001	—
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The amortisation period adopted for goodwill is 5 years.

21. NON-TRADING SECURITIES

	2002 HK\$'000	2001 HK\$'000
Equity securities listed in Hong Kong, at market value	34,209	48,373
Unlisted equity securities, at fair value	1,903	530
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	36,112	48,903
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22. INVENTORIES

	2002 HK\$'000	2001 HK\$'000
Raw materials	87,455	74,104
Work in progress	77,892	70,236
Finished goods	49,432	61,984
	214,779	206,324

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

The cost of inventories recognised as expenses in income statement was approximately HK\$1,453,998,000 (2001: HK\$1,474,514,000).

23. PROPERTIES HELD FOR SALE

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

	2002 HK\$'000	2001 HK\$'000
Held under medium-term land use rights	16,500	18,000
In the process of applying land use rights	—	28,237
	16,500	46,237

24. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$266,197,000 (2001: HK\$157,863,000) and their aged analysis is as follows:

	2002 HK\$'000	2001 HK\$'000
Within 180 days	266,197	152,109
181 to 365 days	—	5,754
	266,197	157,863

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

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25. AMOUNT DUE FROM AN INTERMEDIATE HOLDING COMPANY

Details of amount due from an intermediate holding company is as follows:

The Group

	Balance at 31.12.2002 <i>HK\$'000</i>	Balance at 1.1.2002 <i>HK\$'000</i>	Maximum amount outstanding during the year <i>HK\$'000</i>
Tek Lee Finance and Investment Corporation Limited	51,676	15,581	72,725

The Company

	Balance at 31.12.2002 <i>HK\$'000</i>	Balance at 1.1.2002 <i>HK\$'000</i>	Maximum amount outstanding during the year <i>HK\$'000</i>
Tek Lee Finance and Investment Corporation Limited	52,624	15,396	72,725

The amount is unsecured, bears interest at prevailing marketing rate and has no fixed repayment terms.

26. AMOUNT DUE FROM/TO A FELLOW SUBSIDIARY

The amounts are unsecured and repayable on demand.

The amount due from a fellow subsidiary is interest free. Of the amounts due to a fellow subsidiary, approximately HK\$128,000 (2001: HK\$10,991,000) bears interest at 4% above the Hong Kong prime lending rate and the remaining balance is interest free.

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For the year ended 31 December 2002

27. AMOUNT DUE FROM A RELATED COMPANY

Name of company	Balance at 31.12.2002 HK\$'000	Balance at 1.1.2002 HK\$'000	Maximum amount outstanding during the year HK\$'000
Anwell Profits Limited ("Anwell")	—	2,580	2,580

Mr. Ng Hung Sang, Robert and Mr. Ng Yuk Fung, Peter, both are directors of the Company, have beneficial interests in Anwell. The amount was unsecured, interest-free and was fully settled during the year.

28. TRADE AND OTHER PAYABLES

Included in trade and other payables of HK\$330,201,000 (2001: HK\$213,410,000) and their aged analysis is as follows:

	2002 HK\$'000	2001 HK\$'000
Within 180 days	313,807	199,270
181 to 365 days	10,422	9,409
Over 365 days	5,972	4,731
	330,201	213,410

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For the year ended 31 December 2002

29. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank overdrafts	37,822	21,827	—	—
Bank loans	126,893	177,995	2,792	3,541
Trust receipt loans	84,830	70,067	—	—
	249,545	269,889	2,792	3,541
Analysed as:				
Secured	217,606	257,991	—	—
Unsecured	31,939	11,898	2,792	3,541
	249,545	269,889	2,792	3,541
The maturity profile of the above borrowings is as follows:				
Within one year	176,846	161,902	788	749
More than one year, but not exceeding two years	24,007	28,128	830	788
More than two years, but not exceeding five years	28,271	47,274	1,174	2,004
Over five years	20,421	32,585	—	—
	249,545	269,889	2,792	3,541
Less: Amounts due within one year shown under current liabilities	(176,846)	(161,902)	(788)	(749)
	72,699	107,987	2,004	2,792

Notes to the Financial Statements

For the year ended 31 December 2002

30. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
THE GROUP				
Amounts payable under finance leases:				
Within one year	275	—	248	—
In the second to fifth years inclusive	737	—	692	—
	1,012	—	940	—
Less: Future finance charges	(72)	—	—	—
Present value of lease obligations	940	—	940	—
Less: Amount due for settlement within 12 months shown under current liabilities			(248)	—
Amount due for settlement after 12 months			692	—

The average lease term is 4 to 4.5 years. For the year ended 31 December 2002, the average effective borrowing rates were 2.75 to 2.9 per cent. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Hong Kong dollar.

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

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

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For the year ended 31 December 2002

31. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2001, 31 December 2001 and 31 December 2002	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2001, 31 December 2001 and 31 December 2002	530,335,000	53,033

There was no movement in the Company's share capital for both years.

32. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE COMPANY					
At 1 January 2001	193,410	223	195,775	164,489	553,897
Net loss for the year	—	—	—	(782)	(782)
At 31 December 2001	193,410	223	195,775	163,707	553,115
Net loss for the year	—	—	—	(14,628)	(14,628)
At 31 December 2002	193,410	223	195,775	149,079	538,487

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

The Company's reserves available for distribution represent the share premium, contributed surplus and accumulated profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as the full due in the ordinary course of business. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2002 amounted to approximately HK\$538 million (2001: HK\$553 million).

Notes to the Financial Statements

For the year ended 31 December 2002

33. ADVANCES FROM ASSOCIATES/MINORITY SHAREHOLDERS

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

34. DEFERRED TAXATION

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

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

	Provided		Unprovided	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The effect of timing differences because of:				
Excess of tax allowances over depreciation	753	1,330	—	—
Tax effect of taxation losses	—	—	(21,157)	(17,034)
	753	1,330	(21,157)	(17,034)

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

Deferred tax has not been provided on the revaluation surplus arising on the revaluation of land and buildings, investment properties and investments in securities as profits arising on the disposal of those assets would not be subject to taxation. Accordingly, the revaluations do not constitute timing differences for tax purposes.

35. AMOUNTS DUE TO SUBSIDIARIES

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

Notes to the Financial Statements

For the year ended 31 December 2002

36. ACQUISITION OF SUBSIDIARIES

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2002

37. DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
NET ASSETS DISPOSED OF:		
Land pending development	43,976	—
Property, plant and equipment	6,443	1,075
Inventories	15,978	818
Property held for sale	26,737	—
Trade and other receivables	13,628	2,088
Bank balances and cash	12,668	992
Trade and other payables	(118,557)	(1,145)
Taxation	(524)	—
Long-term bank loans	(1,464)	—
Minority interests	(34,722)	(1,281)
Transfer to interest in an associate	(1,270)	—
Group's share of net assets disposed of	(37,107)	2,547
Statutory reserve realised on disposal	(15)	—
Translation reserve realised on disposal	(1,550)	—
Net gain on disposal of subsidiaries	90,840	33
Total consideration	52,168	2,580
SATISFIED BY		
Cash	34,157	—
Other receivable	18,011	—
Amount due from a related company	—	2,580
	52,168	2,580
Net cash inflow (outflow) from disposal of subsidiaries is as follows:		
Bank balances and cash disposed of	(12,668)	(992)
Cash consideration received	34,157	—
Net cash inflow (outflow) from disposal of subsidiaries	21,489	(992)

The subsidiaries disposed of during the year contributed HK\$47,804,501 (2001: HK\$66,697,244) to the Group's turnover and HK\$173,171 (2001: HK\$1,013,582) to the Group's loss from operations.

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38. RECLASSIFICATION OF A SUBSIDIARY TO AN ASSOCIATE

During the year, a subsidiary, South China (Tianjin) Garment Co. Ltd. ("TJ Garment") was reclassified from a subsidiary to an associate as in the opinion of the directors, the Group can only exercise significant influence, rather than control, over TJ Garment and consequently it was reclassified as an associate. Details of the reclassification are as follows:

	2002 HK\$'000	2001 HK\$'000
NET LIABILITIES RECLASSIFIED:		
Property, plant and equipment	7,096	—
Inventories	5,162	—
Trade and other receivables	3,878	—
Bank balances and cash	394	—
Trade and other payables	(13,914)	—
Amount due to a shareholder	(29)	—
Bank borrowings due within one year	(5,634)	—
Net liabilities of the subsidiary reclassified as an associate	(3,047)	—
Net cash outflow arising from the reclassification	(394)	—

Notes to the Financial Statements

For the year ended 31 December 2002

39. RELATED PARTY DISCLOSURES

(a) Transactions

During the year, the Group had significant transactions with related parties as follows:

Name of related party	Nature of transaction	2002 HK\$'000	2001 HK\$'000
SCH Group (note i)	Promotion and marketing fees paid (note ii)	5,000	5,000
	Management fees paid (note ii)	12,000	16,000
	Interest expense paid (note iii)	512	2,850
	Management fee received (note ii)	360	360
	Rental income received (note ii)	1,068	143
	Interest income received (note iii)	1,510	—
Associates	Management fees received (note ii)	3,320	3,925
	Interest expenses (note iii)	—	283
	Interest income (note iv)	2,453	6,775

Notes:

- (i) SCH is the ultimate holding company of the Company. SCH together with its subsidiaries (other than members of the Group) are collectively referred to as the "SCH Group".
- (ii) These transactions were carried out on terms determined and agreed by both parties.
- (iii) Interest was charged at commercial rates.
- (iv) Interest was charged at 0.5% on the outstanding advances to an associate.
- (v) In the opinion of the directors, the above transactions were carried out in the usual course business of the Group.

(b) Balances

Details of the balances with related companies at the balance sheet date are set out in notes 25, 26 and 27 respectively.

(c) Guarantee

Details of a guarantee given by the Group to associate are set out in note 42.

Notes to the Financial Statements

For the year ended 31 December 2002

40. OPERATING LEASES

The Group as lessee

The minimum lease payments paid for premises under operating leases during the year was HK\$6,120,000 (2001: HK\$11,528,000).

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	3,681	4,471
In the second to fifth year inclusive	8,140	9,064
Over five years	67,050	74,650
	78,871	88,185

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

The Group as lessor

Property rental income earned during the year was approximately HK\$11,074,000 (2001: HK\$4,654,000). All of the properties held have committed tenants upto the next six years.

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	11,369	5,657
In the second to fifth year inclusive	11,711	4,978
Over five years	2,050	662
	25,130	11,297

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For the year ended 31 December 2002

41. CAPITAL COMMITMENTS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Capital expenditure contracted but not provided for in the financial statements in respect of acquisition of:		
- property, plant and equipment	7,372	4,440
- land use rights	5,660	5,660
	13,032	10,100
Capital expenditure in respect of properties under development authorised but not contracted for	22,282	76,519

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

42. CONTINGENT LIABILITIES

(i) Guarantees to banks

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees to banks in respect of banking facilities granted to				
- an associate, Firm Wise Investment Limited	174,000	174,000	—	—
- subsidiaries	—	—	193,150	164,500
Undertaking to a former associate for banking facilities granted to an associate	23,250	23,250	23,250	23,250
	197,250	197,250	216,400	187,750

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For the year ended 31 December 2002

42. CONTINGENT LIABILITIES (Continued)

(ii) Outstanding litigations

At 31 December 2002, the Group had the following litigations outstanding:

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

43. PLEDGES OF ASSETS

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

	2002 HK\$'000	2001 HK\$'000
Net book value of pledged assets:		
Property, plant and equipment	81,257	91,215
Investment properties	183,260	171,917
Inventories	81,522	60,436
Bank deposits	11,088	—
Properties under development	—	17,882
	357,127	341,450

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44. SHARE OPTION SCHEMES

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

(a) Old share option scheme of the Company (“SCI Old Scheme”)

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

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

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

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

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

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

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

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44. SHARE OPTION SCHEMES (Continued)

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

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

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

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

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

(b) Old share option scheme of the ultimate holding company - SCH ("SCH Old Scheme")

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

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

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44. SHARE OPTION SCHEMES (Continued)

(b) Old share option scheme of the ultimate holding company - SCH ("SCH Old Scheme") (Continued)

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

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

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

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

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

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44. SHARE OPTION SCHEMES (Continued)

(b) Old share option scheme of the ultimate holding company - SCH ("SCH Old Scheme") (Continued)

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

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

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

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

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44. SHARE OPTION SCHEMES (Continued)

(c) *Old share option scheme of a fellow subsidiary - SCB (“SCB Old Scheme”)*

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

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

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

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

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

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

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

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44. SHARE OPTION SCHEMES (Continued)

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2002

44. SHARE OPTION SCHEMES (Continued)

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

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

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

- (i) any executive director, employee or proposed employee (whether full time or part time) of any member of the relevant group or any Invested Entity or substantial shareholder;
- (ii) any non-executive directors (including any independent non-executive directors) of any member of the relevant group or any Invested Entity or substantial shareholder;
- (iii) any individual for the time being seconded to work for any member of the relevant group or any Invested Entity or substantial shareholder;
- (iv) any shareholder of any member of the relevant group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the relevant group or any Invested Entity or substantial shareholder;
- (v) any business partner, consultant or contractor of any member of the relevant group or any Invested Entity or substantial shareholder;
- (vi) any supplier of goods or services to any member of the relevant group or any Invested Entity or substantial shareholder;
- (vii) any customer of any member of the relevant group or any Invested Entity or substantial shareholder;
- (viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the relevant group or any Invested Entity or substantial shareholder; and

Notes to the Financial Statements

For the year ended 31 December 2002

44. SHARE OPTION SCHEMES (Continued)

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

- (ix) any company wholly owned by one or more persons belonging to any of the above classes of participants.

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2002

44. SHARE OPTION SCHEMES (Continued)

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2002

45. RETIREMENT BENEFITS SCHEMES

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

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

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

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

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

During the year, the aggregate employer's contribution made by the Group and charged to income statement were HK\$8,122,000 (2001: HK\$8,925,000) after deduction of forfeited contributions of HK\$2,038,000 (2001: HK\$530,000). At the balance sheet dates, there were no material forfeited contributions, which arose upon employees leaving the ORSO Scheme, are available to reduce the contributions payables in future years.

Notes to the Financial Statements

For the year ended 31 December 2002

46. POST BALANCE SHEET EVENT

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

47. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Principal activities are as follows:

Trading and manufacturing	—	trade and manufacture of merchandise including toys, compressors, shoes, metal tooling, leather products, motor, machinery, capacitors and clothing
Information technology	—	information technology related business
Property development	—	property development and investment
Investment holding	—	investment holding and others
Travel business	—	sales of travel-related products and services

Notes to the Financial Statements

For the year ended 31 December 2002

47. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Segment information about these business is presented below:

2002

RESULTS

	Trade and manufacturing HK\$'000	Information technology HK\$'000	Property development HK\$'000	Investment holding HK\$'000	Travel business HK\$'000	Total HK\$'000
REVENUE						
External sales	1,568,292	83,793	11,074	—	44,747	1,707,906
RESULTS						
Segment results	16,978	(1,930)	6,288	(13,154)	2,010	10,192
Finance costs						(12,144)
Share of losses of associates						(4,648)
Loss on interest in associates						(75,000)
Net gain on disposal of subsidiaries						99,796
Profit before taxation						18,196
Taxation						1,270
Profit after taxation						19,466

BALANCE SHEET

	Trade and manufacturing HK\$'000	Information technology HK\$'000	Property development HK\$'000	Investment holding HK\$'000	Travel business HK\$'000	Total HK\$'000
ASSETS						
Segment assets	929,976	12,626	223,395	36,112	80,036	1,282,145
Interests in associates	146,061	6,410	183,210	—	—	335,681
Consolidated total assets						1,617,826
LIABILITIES						
Segment liabilities	210,130	7,556	175,072	—	79,560	472,318
Unallocated corporate liabilities						251,434
Consolidated total liabilities						723,752

Notes to the Financial Statements

For the year ended 31 December 2002

47. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2002

OTHER INFORMATION

	Trade and manufacturing	Information technology	Property development	Investment holding	Travel business	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	21,764	2,594	—	—	—	24,358
Depreciation and amortisation	44,436	562	—	—	1,228	46,226
Impairment losses recognised in income statement	—	—	1,300	16,419	—	17,719
Gain (loss) on disposal of property, plant and equipment	418	—	—	—	(182)	236
Allowance for bad and doubtful debts	24,260	—	—	—	—	24,260

2001

	Trade and manufacturing	Information technology	Property development	Investment holding	Travel business	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
External sales	1,605,275	108,950	5,921	—	—	1,720,146
RESULTS						
Segment results	(69,478)	(7,384)	(10,185)	(39,400)	—	(126,447)
Finance costs						(20,111)
Share of loss of associates						(11,412)
Loss of investment in associates						(35,192)
Gain on disposal of subsidiaries						33
Loss before taxation						(193,129)
Taxation						(35,327)
Loss after taxation						(228,456)

Notes to the Financial Statements

For the year ended 31 December 2002

47. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2001

BALANCE SHEET

	Trade and manufacturing HK\$'000	Information technology HK\$'000	Property development HK\$'000	Investment holding HK\$'000	Travel business HK\$'000	Total HK\$'000
ASSETS						
Segment assets	797,923	52,664	278,784	73,551	—	1,202,922
Interests in associates	154,274	—	256,117	—	—	410,391
<hr/>						
Consolidated total assets						1,613,313
<hr/>						
LIABILITIES						
Segment liabilities	231,899	26,268	179,905	—	—	438,072
Unallocated corporate liabilities						278,529
<hr/>						
Consolidated total liabilities						716,601
<hr/>						

OTHER INFORMATION

	Trade and manufacturing HK\$'000	Information technology HK\$'000	Property development HK\$'000	Investment holding HK\$'000	Travel business HK\$'000	Total HK\$'000
Capital additions	11,357	7,484	—	—	—	18,841
Depreciation and amortisation	53,712	2,244	—	—	—	55,956
Impairment losses recognised						
in income statement	13,003	3,278	9,550	13,331	—	39,162
Loss on disposal of property, plant and equipment	134	—	—	—	—	134
Allowance for bad and doubtful debts	22,359	—	—	—	—	22,359

Notes to the Financial Statements

For the year ended 31 December 2002

47. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

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

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

	Sales revenue by geographical market		Profit (loss) from operations by geographical market	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The United States of America	978,723	1,020,969	20,464	314
Europe	442,377	324,518	6,937	(13,174)
Hong Kong and other regions in the PRC	210,616	223,891	(17,976)	(104,654)
Japan	22,501	29,651	(145)	(5,997)
Other	53,689	121,117	912	(2,936)
	1,707,906	1,720,146	10,192	(126,447)

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

	Carrying amount of segment assets as at		Additions to property, plant and equipment and intangible assets as at	
	31.12.2002 HK\$'000	31.12.2001 HK\$'000	31.12.2002 HK\$'000	31.12.2001 HK\$'000
Hong Kong	937,957	946,393	14,628	1,580
Other regions in the PRC	679,869	666,920	16,428	17,261
	1,617,826	1,613,313	31,056	18,841

Notes to the Financial Statements

For the year ended 31 December 2002

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration/ and operations	Class of share held	Issued and fully paid share capital/ registration capital	Percentage held by the subsidiaries	Percentage of issued capital attributable to the Group	Principal activities
Buji Soft Toys Company Limited	Hong Kong	Ordinary Non-voting Deferred (b)	HK\$20 HK\$6,000,000	100%	52.8%	Trading in toys
Buji Soft Toys Company (BVI) Limited	British Virgin Islands/The PRC	Ordinary	US\$1,000	100%	52.8%	Manufacturing of toys
Copthorne Holdings Corp.	Republic of Panama/ Hong Kong	Ordinary	US\$200	100%	52.8%	Property investment
Four Seas Capital Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Provision of financing services
Glorious Dragon Investments Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Property investment
Global Trinity Properties Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Property investment
South China Strategic Limited	Hong Kong	Ordinary	HK\$308,594,000	100%	100%	Investment holding
Hong Kong Four Seas Tours Limited	Hong Kong	Ordinary Non-voting Deferred (b)	HK\$20,800,000 HK\$1,200,000	100%	100%	Sale of air tickets and provision of travel related services
Man Wah Trading Limited	Hong Kong	Ordinary	HK\$10,000	100%	52.8%	Investment in securities
Wah Shing Toys Company Limited	Hong Kong	Ordinary Non-voting Deferred (b)	HK\$2 HK\$3,020,002	100%	52.8%	Trading of toys and investment holding
Wah Shing International Holdings Limited (listed on The Singapore Exchange Securities Trading Limited)	Bermuda/ Hong Kong	Ordinary	HK\$54,432,000	52.8%	52.8%	Investment holding
Micon Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Investment holding
South China Industries (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$10,000	100%	100%	Investment holding
South China Garments Company Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Trading of garments
South China Shoes Products Company Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Trading of shoes

Notes to the Financial Statements

For the year ended 31 December 2002

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ and operations	Class of share held	Issued and fully paid share capital/ registration capital	Percentage held by the subsidiaries	Percentage of issued capital attributable to the Group	Principal activities
Shineway Investments Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Trading of shoes
South China Leesheng Sporting Goods Co., Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Trading of sports products
South China Leather Chemical Products Company (HK) Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Trading of leather chemical products
Wah Shing Electronics Company Limited	Hong Kong/ The PRC	Ordinary	HK\$571,500	70%	37%	Manufacturing of toys
Tianjin South China Shoes Products Co. Ltd (c)	The PRC	Registered	RMB36,100,200	80%	80%	Manufacturing of leather footwear products
Tianjin South China Li Sheng Sports Wears Co. Ltd. (c)	The PRC	Registered	RMB9,940,167	80%	80%	Manufacturing of sports products
Tianjin South China Leather Chemical Products Co. Ltd. (c)	The PRC	Registered	RMB19,681,600	80%	80%	Manufacturing of leather products
Chongqing Incyber Opt. Inf. Sci. & Tech. Co. Ltd. (c)	The PRC	Registered	RMB3,500,000	65%	65%	Information and Technology related business
Shenyang Shenglian Electronics Science & Technology Ltd. (c)	The PRC	Registered	RMB4,000,000	70%	70%	Information and Technology related business

Notes:

- Except South China Industries (BVI) Limited, the principal subsidiaries of the Group are all held indirectly by the Company.
- The non-voting deferred shares have no voting rights and practically no entitlement to dividend of profit or distribution on winding up.
- These are sino-foreign equity joint venture established in the PRC.

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

None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2002.

Notes to the Financial Statements

For the year ended 31 December 2002

49. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associate	Place of incorporation/ registration and operations	Class of share held	Percentage of equity interest held by the Group	Principal activities
Firm Wise Investment Limited ("FWIL") (<i>note</i>)	Hong Kong	Ordinary	30%	Property development
Giant Riches Limited	Hong Kong	Ordinary	25%	Property development
Nanjing South China Dafang Electric Co., Ltd.	PRC	Registered	51%	Manufacturing of electrical motors
Nority International Group Limited (listed on The Stock Exchange of Hong Kong Limited)	Cayman Islands/ PRC	Ordinary	42.6%	Manufacturing of shoes and footwear products
Tianjin South China Tools (Holdings) Co., Ltd.	PRC	Registered	51%	Manufacturing of tools

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

The above associates established in the PRC as sino-foreign equity joint venture companies.

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

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

Notes to the Financial Statements

For the year ended 31 December 2002

49. PARTICULARS OF PRINCIPAL ASSOCIATES (Continued)

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

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