

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 manufacturing and marketing of electric fans and other electrical household appliances and EMS business, investment holding, property investment and trading of and investments in securities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, Statement of Standard Accounting Standards No. ("SSAP") 12 (Revised) "Incomes Taxes" issued by the Hong Kong Society of Accountants.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the opening balance on retained earnings at 1st January, 2003 has been decreased by HK\$5,433,000 (1st January, 2002: increased by HK\$2,170,000). The balances on the Group's investment property revaluation reserves at 1st January, 2003 have been decreased by HK\$12,636,000 (1st January, 2002: HK\$2,813,000) and the balances on the Group's interests in associates at 1st January, 2003 have been decreased by HK\$12,462,000 (1st January, 2002: HK\$2,639,000). The net profit for the year ended 31st December, 2003 has been increased by HK\$1,127,000 and the net loss for the year ended 31st December, 2002 has been increased by HK\$7,603,000.

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.

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.

Notes to the Financial Statements

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of the properties, is recognised on the execution of a binding sales agreement.

Income from properties pre-sold prior to completion of the development of properties, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

On 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 are stated at cost less accumulated depreciation and less any identified impairment loss.

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 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") under long leases and medium term leases	Remaining terms of the land use rights
Buildings	The shorter of the estimated useful lives or remaining terms of the respective land use rights
Freehold 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

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 identified 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 gain or loss on the disposal of the securities for the period.

Notes to the Financial Statements

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its estimated useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Taxi licences

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

The Group holds 674 taxi licences for the exclusive right to run the taxi in Guangzhou, PRC 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.

Trademark

Trademark is measured initially at cost, less any identified impairment loss and amortised on a straight-line basis over its estimated useful life of 5 years.

Club debenture

Club debenture is stated at cost less impairment, if any.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 prevailing 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

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

Notes to the Financial Statements

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share options

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

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 income from principal activities during the year, and is analysed as follows:

	2003 HK\$'000	2002 HK\$'000
Sale of goods	1,248,451	1,029,350
Proceeds from trading of securities	659,899	251,464
Sale of properties	–	22,958
Property rental income	58,663	57,391
Toll fee income	24,114	27,308
Taxi licence fee income	9,298	9,740
	<u>2,000,425</u>	<u>1,398,211</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into nine operating divisions – electrical household appliances, steel pipes and cables, 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	–	manufacturing and marketing of electric fans, vacuum cleaners and other electrical household appliances, and EMS business
Electric cables and steel pipes	–	manufacturing and trading of electric cables and steel pipes
Steel processing	–	steel plate processing and trading
Property leasing	–	leasing of properties
Property development	–	property development
Securities trading	–	trading of securities
Toll road operations	–	toll road management and operations
Car rental	–	taxi rental operation
Direct investments	–	direct investment in hi-tech business

Notes to the Financial Statements

For the year ended 31st December, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments

Segment information about these businesses is presented below:

2003

TURNOVER AND RESULT

	Electrical household appliances HK\$'000	Electric cables and steel pipes HK\$'000	Steel processing HK\$'000	Property leasing HK\$'000	Property development HK\$'000	Securities trading HK\$'000	Toll road operations HK\$'000	Car rental HK\$'000	Direct investments HK\$'000	Others HK\$'000	Consolidated HK\$'000
TURNOVER (Note)	1,090,622	47,256	110,573	58,663	-	659,899	24,114	9,298	-	-	2,000,425
RESULT											
Segment result	63,481	(9,452)	6,489	53,076	37	30,544	(4,530)	5,119	(33,542)	-	111,222
Unallocated corporate expenses											(35,191)
Other operating income excluding interest income											4,297
Interest income											9,236
Profit from operations											89,564
Finance costs	(483)	-	(569)	(5,557)	-	(940)	(17,364)	-	-	(696)	(25,609)
Share of results of associates	-	(152)	-	11,893	(98)	-	-	-	2,909	-	14,552
Gain on partial disposal of interest in a subsidiary										1,594	1,594
Gain on disposal of an associate										(877)	(877)
Profit from ordinary activities before taxation											79,224
Taxation											(8,759)
Profit before minority interests											70,465
Minority interests											17,354
Net profit for the year											87,819

Note: There is no inter-segment sales between different business segments for the year ended 31st December, 2003.

FINANCIAL POSITIONS

	Electrical household appliances HK\$'000	Electric cables and steel pipes HK\$'000	Steel processing HK\$'000	Property leasing HK\$'000	Property development HK\$'000	Securities trading HK\$'000	Toll road operations HK\$'000	Car rental HK\$'000	Direct investments HK\$'000	Unallocated assets/liabilities HK\$'000	Consolidated HK\$'000
ASSETS											
Segment assets	382,598	144,568	152,938	552,576	1,410	96,043	378,827	192,992	109,730	-	2,011,682
Interests in associates	-	129	-	478,573	(11,305)	-	-	-	37,931	101	505,429
Unallocated corporate assets										66,881	66,881
Consolidated total assets											2,583,992
LIABILITIES											
Segment liabilities	137,616	16,076	63,751	87,818	313	1,720	309,178	39,626	6,147	-	662,245
Unallocated corporate liabilities										55,795	55,795
Consolidated total liabilities											718,040

Notes to the Financial Statements

For the year ended 31st December, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2003 (continued)

OTHER INFORMATION

	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	5,244	418	28	5,130	387	-	54	76,466	28,761	4,049	120,537
Depreciation and amortisation	7,247	11,777	4,124	56	-	-	15,823	3,567	59	2,691	45,344
Impairment losses recognised in income statement	-	-	-	-	-	-	-	-	32,800	-	32,800
Allowances (reversal of allowances) for doubtful debts	2,437	(284)	(481)	-	-	-	-	-	-	-	1,672

2002

TURNOVER AND RESULT

	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 operating income excluding interest 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)
Share 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											(18,236)
Loss before minority interests											(64,611)
Minority interests											(3,454)
Net loss for the year											(68,065)

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

Notes to the Financial Statements

For the year ended 31st December, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2002 (continued)

FINANCIAL POSITIONS

	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
Interests in associates	-	-	-	425,290	68,603	-	-	-	36,493	101	530,487
Unallocated corporate assets										70,767	70,767
Consolidated total assets											<u>2,491,744</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										69,158	69,158
Consolidated total liabilities											<u>652,148</u>

OTHER INFORMATION

	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

Notes to the Financial Statements

For the year ended 31st December, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

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:

	Sales by geographical market	
	2003 HK\$'000	2002 HK\$'000
Hong Kong	756,462	334,060
PRC	652,567	484,520
North America	776,784	554,351
Europe	99,128	99,289
Asia, other than Hong Kong and PRC	69,568	84,480
Others	94,954	138,874
Elimination of inter-segment sales	(449,038)	(297,363)
	2,000,425	1,398,211

In geographical analysis, included in turnover of Hong Kong and the PRC markets, there are inter-segment sales amounting to HK\$204,066,000 (2002: HK\$124,700,000) and HK\$244,972,000 (2002: HK\$172,663,000).

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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	253,158	255,667	5,678	752
PRC	1,893,291	1,821,249	114,289	16,110
North America	357,701	371,100	570	7,732
Europe	20,408	21,533	–	–
Asia, other than Hong Kong and PRC	53,897	9,777	–	–
Others	2,608	12,418	–	–
	2,581,063	2,491,744	120,537	24,594
Deferred tax assets	2,929	–	–	–
	2,583,992	2,491,744		

Notes to the Financial Statements

For the year ended 31st December, 2003

6. IMPAIRMENT LOSS ON INVESTMENTS 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\$32,800,000 (2002: HK\$12,121,000) was considered to be fully impaired with regard to the current market situation.

7. PROFIT (LOSS) FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Allowance for doubtful debts	1,672	7,484
Amortisation of goodwill (included in depreciation and amortisation expenses)	1,389	1,387
Amortisation of intangible assets (included in depreciation and amortisation expenses)	3,066	2,032
Amortisation of premium on acquisition of associates (included in depreciation and amortisation expenses)	54	48
Auditors' remuneration	2,007	1,972
Charitable and other donations	2,470	958
Depreciation of property, plant and equipment (after deduction of amount capitalised as development cost of HK\$2,781,000 (2002: Nil))	40,835	69,483
Exchange losses, net	1,551	4,191
Loss on disposal of property, plant and equipment	9,031	–
Unrealised loss on trading securities		
– listed	–	29,272
– unlisted	–	6
and after crediting:		
Interest earned from		
Bank deposits	1,437	2,210
Associates	6,358	31,267
Others	1,441	431
	9,236	33,908
Dividends received from trading securities held	3,941	1,553
Gain on disposal of intangible assets	–	792
Gain on disposal of property, plant and equipment	–	3,142
Interest receivable waived by a minority shareholder of a subsidiary	–	3,931
Loan waived by a minority shareholder	1,875	–
Net rental income from investment properties (after deduction of outgoings of HK\$5,587,000 (2002: HK\$7,129,000))	53,076	50,262
Unrealised gain on listed trading securities	873	–

Notes to the Financial Statements

For the year ended 31st December, 2003

8. DIRECTORS' EMOLUMENTS

	2003 HK\$'000	2002 HK\$'000
Directors' fees		
Executives	460	480
Non-executives	80	80
Independent non-executives	160	160
	<u>700</u>	<u>720</u>
Other emoluments		
Executives		
Salaries, allowances and other benefits	9,365	8,866
Retirement fund contributions	461	427
Total emoluments	<u>10,526</u>	<u>10,013</u>

Emoluments of the directors were within the following bands:

Emolument bands	2003 Number of Directors	2002 Number of Directors
Up to HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$3,500,001 – HK\$4,000,000	1	1

In the current year, 3 (2002: 3) directors waived emoluments of HK\$28,300 (2002: HK\$28,300) in total.

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, 3 (2002: 3) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining 2 (2002: 2) were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries, allowances and other benefits	3,126	2,947
Retirement fund contributions	143	133
	<u>3,269</u>	<u>3,080</u>

Their emoluments were within the following bands:

	2003 Number of employees	2002 Number of employees
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	1

10. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	6,791	6,735
Other borrowings from minority shareholders	17,881	5,010
Others	937	67
	25,609	11,812

11. 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\$2,394,000 (2002: HK\$2,832,000), net of the forfeited contributions utilised in Old Scheme amounting to HK\$181,000 (2002: Nil).

Notes to the Financial Statements

For the year ended 31st December, 2003

12. TAXATION

	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Profit for the year		
Hong Kong	4,942	3,592
Other regions in the PRC	310	174
	<u>5,252</u>	<u>3,766</u>
Underprovision in prior years for profit arose in Hong Kong	<u>1,468</u>	–
Deferred tax (Note 33)		
Current year	(1,165)	7,603
Attributable to a change in the rate of Hong Kong Profits Tax	38	–
	<u>(1,127)</u>	<u>7,603</u>
Taxation attributable to the Company and its subsidiaries	<u>5,593</u>	11,369
Share of taxation attributable to associates	<u>3,166</u>	6,867
	<u>8,759</u>	<u>18,236</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. In June 2003, the Hong Kong Profits Tax was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31st December, 2003.

Taxation arising in other regions in the PRC is calculated at 33% (2002: 33%) of the estimated assessable profit.

The charge for the year can be reconciled to the profit (loss) per the income statement as follows:

	2003 HK\$'000	2002 HK\$'000
Profit (loss) from ordinary activities before taxation	<u>79,224</u>	<u>(46,375)</u>
Tax at Hong Kong Profits Tax rate of 17.5% (2002: 16.0%)	13,864	(7,420)
Tax effect of share of results of associates	619	8,327
Tax effect of expenses not deductible for tax purpose	16,160	14,164
Tax effect of income not taxable for tax purpose	(6,500)	(5,090)
Tax effect of tax losses not recognised	12,538	27,815
Utilisation of tax losses previously not recognised	(18,439)	(15,006)
Increase in opening deferred tax liability resulting from an increase in tax rates	38	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	199	(567)
Underprovision in prior years	1,468	–
Others	(11,188)	(3,987)
	<u>8,759</u>	<u>18,236</u>
Tax expense for the year		

Notes to the Financial Statements

For the year ended 31st December, 2003

13. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Ordinary shares:		
Interim, paid – 3.00 cents (2002: 1.00 cent) per share	13,302	5,097
Final, proposed – 7.00 cents (2002: 1.00 cent) per share	31,038	4,444
	<u>44,340</u>	<u>9,541</u>

The final dividend of 7.00 cents (2002: 1.00 cent) 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.

14. EARNINGS (LOSS) PER SHARE

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

	2003 HK\$'000	2002 HK\$'000
Earnings (loss) for purpose of basic and diluted earnings (loss) per share as originally stated	87,819	(60,462)
Adjustment on adoption of SSAP 12 (revised) (Note 2)	–	(7,603)
As restated	<u>87,819</u>	<u>(68,065)</u>
	<u>2003</u> <u>'000</u>	<u>2002</u> <u>'000</u>
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	443,574	<u>503,326</u>
Effect on dilutive potential ordinary shares:		
Options	<u>67</u>	
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	<u>443,641</u>	

Note:

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

As the options of the Company's subsidiaries outstanding during the two years ended 31st December, 2003 were anti-dilutive, no diluted earnings (loss) per share were presented for both years in this respect.

Notes to the Financial Statements

For the year ended 31st December, 2003

15. INVESTMENT PROPERTIES

	THE GROUP HK\$'000	THE COMPANY HK\$'000
At 1st January, 2003	537,682	14,200
Translation adjustment	1,970	–
Additions	5,130	–
Revaluation decrease	(18,075)	(1,500)
At 31st December, 2003	526,707	12,700

The Group's investment properties in Hong Kong and the PRC were revalued as at 31st December, 2003 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, 2003 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, 2003 on an income approach to value by JMS Canada Ltd., an independent firm of professional valuers. These valuations gave rise to a revaluation decrease totalling HK\$18,075,000 (2002: HK\$2,770,000) which has been debited to the investment property revaluation reserve.

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

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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
In Hong Kong, held under long leases	78,700	87,200	12,700	14,200
In the USA, freehold	218,400	230,100	–	–
In other regions of the PRC, held under medium term leases	214,000	208,000	–	–
In Canada, freehold	15,607	12,382	–	–
	526,707	537,682	12,700	14,200

Notes to the Financial Statements

For the year ended 31st December, 2003

16. 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, 2003	238,582	439,863	179,405	56,791	44,065	14,470	910	974,086
Translation adjustment	(875)	(1,877)	(759)	(173)	(85)	(32)	-	(3,801)
Additions	1,666	54	941	1,211	7,731	760	-	12,363
Disposals	-	(9,553)	(2)	(10)	(1,730)	(929)	(910)	(13,134)
At 31st December, 2003	239,373	428,487	179,585	57,819	49,981	14,269	-	969,514
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2003	47,134	40,828	122,189	47,710	26,012	11,562	394	295,829
Translation adjustment	(138)	(169)	(514)	(170)	(42)	(27)	-	(1,060)
Provided for the year	5,462	15,742	14,435	1,999	4,662	1,290	26	43,616
Eliminated on disposals	-	(1,008)	(2)	(1)	(1,590)	(821)	(420)	(3,842)
At 31st December, 2003	52,458	55,393	136,108	49,538	29,042	12,004	-	334,543
NET BOOK VALUES								
At 31st December, 2003	186,915	373,094	43,477	8,281	20,939	2,265	-	634,971
At 31st December, 2002	191,448	399,035	57,216	9,081	18,053	2,908	516	678,257

During the year ended 31st December, 2002, the land situated in the PRC with imperfect title and carrying value amounting to HK\$8,025,000 was considered to be fully impaired.

Notes to the Financial Statements

For the year ended 31st December, 2003

16. 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	Freehold land and buildings in the USA HK\$'000	Total HK\$'000
THE GROUP					
COST					
At 1st January, 2003	9,994	208,765	11,631	8,192	238,582
Translation adjustment	–	(865)	(8)	(2)	(875)
Additions	–	826	840	–	1,666
At 31st December, 2003	9,994	208,726	12,463	8,190	239,373
DEPRECIATION					
At 1st January, 2003	4,922	32,288	8,204	1,720	47,134
Translation adjustment	–	(137)	(1)	–	(138)
Provided for the year	199	5,140	32	91	5,462
At 31st December, 2003	5,121	37,291	8,235	1,811	52,458
NET BOOK VALUES					
At 31st December, 2003	4,873	171,435	4,228	6,379	186,915
At 31st December, 2002	5,072	176,477	3,427	6,472	191,448

	Land and buildings in Hong Kong under long leases HK\$'000	Land and buildings in other regions of the PRC 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, 2003	1,478	1,607	346	479	13,111	5,474	910	23,405
Additions	–	–	20	–	4,027	–	–	4,047
Disposal	–	–	–	–	(849)	–	(910)	(1,759)
At 31st December, 2003	1,478	1,607	366	479	16,289	5,474	–	25,693
DEPRECIATION								
At 1st January, 2003	207	180	300	479	7,704	4,212	394	13,476
Provided for the year	29	32	11	–	1,460	905	26	2,463
Eliminated on disposal	–	–	–	–	(832)	–	(420)	(1,252)
At 31st December, 2003	236	212	311	479	8,332	5,117	–	14,687
NET BOOK VALUES								
At 31st December, 2003	1,242	1,395	55	–	7,957	357	–	11,006
At 31st December, 2002	1,271	1,427	46	–	5,407	1,262	516	9,929

Notes to the Financial Statements

For the year ended 31st December, 2003

17. GOODWILL

	THE GROUP HK\$'000
COST	
At 1st January, 2003 and 31st December, 2003	15,147
AMORTISATION	
At 1st January, 2003	2,774
Provided for the year	1,389
At 31st December, 2003	4,163
NET BOOK VALUE	
At 31st December, 2003	10,984
At 31st December, 2002	12,373

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

18. INTANGIBLE ASSETS

	THE GROUP				THE COMPANY
	Development costs HK\$'000	Taxi licences HK\$'000	Trademark HK\$'000	Total HK\$'000	Trademark HK\$'000
COST					
At 1st January, 2003	–	78,812	2,499	81,311	2,499
Translation adjustment	–	(327)	–	(327)	–
Additions	26,616	76,428	–	103,044	–
At 31st December, 2003	26,616	154,913	2,499	184,028	2,499
AMORTISATION					
At 1st January, 2003	–	5,025	146	5,171	146
Translation adjustment	–	(22)	–	(22)	–
Provided for the year	–	2,941	125	3,066	125
At 31st December, 2003	–	7,944	271	8,215	271
NET BOOK VALUES					
At 31st December, 2003	26,616	146,969	2,228	175,813	2,228
At 31st December, 2002	–	73,787	2,353	76,140	2,353

All of the Group's taxi licences and trademark were acquired from third parties.

Taxi licences and trademark are amortised on a straight-line basis over 50 years and 5 years respectively. Development costs capitalised will commence amortisation in 2004 when the products are ready to be launched in the market for commercial sales.

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.

Notes to the Financial Statements

For the year ended 31st December, 2003

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	157,699	157,699
Impairment losses recognised (Note a)	(119,226)	(95,833)
	38,473	61,866
Loans to subsidiaries less allowance (Note b)	13,000	41,074
Amounts due from subsidiaries (Note c)	386,339	–
	437,812	102,940

Notes:

- (a) Impairment losses of a subsidiary amounting to HK\$23,393,000 was recognised during the year by reference to the consideration received from the disposal of this subsidiary subsequent to the balance sheet date as set out in note 38(b).
- (b) 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 ended 31st December, 2002.
- 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.
- (c) The amounts are unsecured and bear interest at prevailing market rates. 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, 2003 are set out in note 42.

20. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	–	–	195	195
Share of net assets	161,754	154,273	–	–
Premium on acquisition of associates (Note a)	899	953	–	–
Loans to associates (Note b)	342,776	375,261	–	–
	505,429	530,487	195	195
Impairment losses recognised	–	–	(94)	(94)
	505,429	530,487	101	101

Notes to the Financial Statements

For the year ended 31st December, 2003

20. INTERESTS IN ASSOCIATES (continued)

Notes:

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

	THE GROUP HK\$'000
COST	
At 1st January, 2003 and at 31st December, 2003	1,000
AMORTISATION	
At 1st January, 2003	47
Provided for the year	54
At 31st December, 2003	101
NET BOOK VALUE	
At 31st December, 2003	899
At 31st December, 2002	953

Goodwill is amortised on a straight-line basis over 20 years.

- (b) Other than an amount of HK\$276,826,000 (2002: HK\$303,851,000) which is interest-free, the loans to associates are unsecured and carry interest at 10% (2002: 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.

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, 2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Audited)	For the year ended 31st December, 2003 HK\$'000 (Unaudited)	For the period (from 30th April, 2002 (date of incorporation) to 31st December, 2002 HK\$'000 (Audited)
Results for the year				
Turnover	41,588	1,027,578	78,801	–
Depreciation	252	210	–	–
(Loss) profit before taxation	(26,412)	(63,855)	49,864	(450)
(Loss) profit before taxation attributable to the Group	(5,282)	(12,771)	19,946	(180)
	At 31st December, 2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Audited)	At 31st December, 2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Audited)
Financial position				
Total non-current assets	1,048,723	1,060,109	824,000	847,000
Total current assets	75,850	182,164	23,683	25,313
Total current liabilities	(517,009)	(593,633)	(15,796)	(10,673)
Total non-current liabilities	(201,595)	(218,598)	(721,066)	(759,628)
Net assets	405,969	430,042	110,821	102,012
Net assets attributable to the Group	81,194	86,008	44,328	40,805

Details of the Group's principal associates at 31st December, 2003 are set out in note 43.

Notes to the Financial Statements

For the year ended 31st December, 2003

21. INVESTMENTS IN SECURITIES

THE GROUP

	Held for trading		Not held for trading		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Equity securities						
Unlisted	3	5	255,555	254,564	255,558	254,569
Listed in Hong Kong	4,950	80,265	-	-	4,950	80,265
Listed outside Hong Kong	12,627	19,771	-	-	12,627	19,771
	17,580	100,041	255,555	254,564	273,135	354,605
Equity linked notes	15,991	-	-	-	15,991	-
Accumulated fair value adjustments	-	-	(177,670)	(162,810)	(177,670)	(162,810)
	33,571	100,041	77,885	91,754	111,456	191,795
Market value of listed securities	17,577	100,036	-	-	17,577	100,036
Carrying amounts analysed:						
Current	33,571	100,041	-	-	33,571	100,041
Non-current	-	-	77,885	91,754	77,885	91,754
	33,571	100,041	77,885	91,754	111,456	191,795

22. INVENTORIES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Raw materials	70,439	71,714	-	-
Work-in-progress	2,902	2,052	-	-
Finished goods	35,578	31,296	4,043	1,418
	108,919	105,062	4,043	1,418
Note:				
Inventories stated				
At cost	68,361	58,068	4,043	1,418
At net realisable value	40,558	46,994	-	-
	108,919	105,062	4,043	1,418

Notes to the Financial Statements

For the year ended 31st December, 2003

23. AMOUNTS DUE FROM SUBSIDIARIES

THE COMPANY

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

24. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$140,543,000 (2002: HK\$78,520,000). 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	
	2003 HK\$'000	2002 HK\$'000
Current	86,416	42,514
31 – 60 days	26,802	16,929
61 – 90 days	21,063	6,845
91 – 180 days	4,596	6,846
181 – 360 days	636	3,346
Over 360 days	1,030	2,040
	140,543	78,520

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

THE GROUP AND THE COMPANY

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

Notes to the Financial Statements

For the year ended 31st December, 2003

26. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$84,978,000 (2002: HK\$62,701,000). The aged analysis of trade payables at the balance sheet date is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Current	52,330	40,601
31 – 60 days	19,711	10,966
61 – 90 days	5,542	1,056
91 – 180 days	3,265	1,677
181 – 360 days	2,953	6,160
Over 360 days	1,177	2,241
	84,978	62,701

27. AMOUNTS DUE TO MINORITY SHAREHOLDERS

THE GROUP

The amount includes loans of HK\$19,890,000 (2002: HK\$19,890,000) which are unsecured and bear interest at the prevailing market rates.

The remaining balance of HK\$36,274,000 (2002: HK\$34,952,000), other than the amount of approximately HK\$8,566,000 (2002: HK\$13,565,000) which bears interest at 5.76% (2002: 8.00% or 5.76%) per annum, is unsecured, interest-free and is repayable on demand.

28. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank loans	107,200	112,338	42,040	47,130
Bank overdrafts	–	146	–	146
	107,200	112,484	42,040	47,276
Secured	65,160	68,298	–	3,090
Unsecured	42,040	44,186	42,040	44,186
	107,200	112,484	42,040	47,276
The maturity of the above borrowings is as follows:				
Within one year	107,200	53,460	42,040	47,276
More than one year, but not exceeding two years	–	59,024	–	–
	107,200	112,484	42,040	47,276
Less: Amounts due within one year shown under current liabilities	(107,200)	(53,460)	(42,040)	(47,276)
Amounts due after one year	–	59,024	–	–

Notes to the Financial Statements

For the year ended 31st December, 2003

29. SHARE CAPITAL

	2003		2002	
	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	900,000	450,000	900,000	450,000
(b) Issued and fully paid:				
Ordinary shares of HK\$0.50 each				
Balance at beginning of year	444,414	222,207	509,759	254,879
Shares repurchased and cancelled	(1,007)	(504)	(65,345)	(32,672)
Balance at end of year	443,407	221,703	444,414	222,207

During the year, the Company repurchased its own shares through the Stock Exchange 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\$	
February 2003	504	1.00	0.98	505
March 2003	503	1.00	0.99	503
	1,007			1,008

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

The above shares were cancelled upon repurchase.

(c) Share option scheme

(i) The Company

Under the terms of the share option scheme (the "Scheme") which was adopted on 18th April, 1994 and will expire on 18th April, 2004, the Board may offer to any directors or full time employees of the Company or any of its subsidiaries options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options. The exercisable period will be determined by the Board and in any event not exceeding a period of 3 years commencing on the expiry of 6 months after the date of acceptance by the grantee and expiring on the last date of such period or 17th April, 2004 whichever is earlier. The grantee is required to pay non-refundable consideration of HK\$1.00 upon acceptance of the offer.

The number of shares issuable under the Scheme is not to exceed 10% of the issued share capital of the Company from time to time excluding any shares issued pursuant to the Scheme. At the date of this report, the total number of options available for issue under the Scheme amounted to 30,278,083 which represented 6.83% of the issued share capital of the Company (excluding any shares issued pursuant to the Scheme) on the same date. 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, representing 6% of the shares of the Company in issue at that date.

Notes to the Financial Statements

For the year ended 31st December, 2003

29. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

The aggregate of the 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.

No share options were granted during the two years ended 31st December, 2003.

Movements in the options to subscribe for shares for the year ended 31st December, 2003 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share HK\$	Number of share options		
				As at 1.1.2003 '000	Lapsed during the year '000	As at 31.12.2003 '000
Directors						
Mr. Billy Yung Kwok Kee	28.01.2000	28.07.2000 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.01.2001 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.07.2001 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.01.2002 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.07.2002 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,340	(1,340)	–
Dr. Yung Yau	28.01.2000	28.01.2001 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.07.2001 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.01.2002 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.07.2002 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,340	(1,340)	–
Dr. Leo Tung-Hai Lee	28.01.2000	28.07.2000 – 27.07.2003	1.38	96	(96)	–
	28.01.2000	28.01.2001 – 27.07.2003	1.38	96	(96)	–
	28.01.2000	28.07.2001 – 27.07.2003	1.38	96	(96)	–
	28.01.2000	28.01.2002 – 27.07.2003	1.38	96	(96)	–
	28.01.2000	28.07.2002 – 27.07.2003	1.38	96	(96)	–
	28.01.2000	28.01.2003 – 27.07.2003	1.38	120	(120)	–
Mr. Shiu-Kit Ngai	28.01.2000	28.07.2000 – 27.07.2003	1.38	80	(80)	–
	28.01.2000	28.01.2001 – 27.07.2003	1.38	80	(80)	–
	28.01.2000	28.07.2001 – 27.07.2003	1.38	80	(80)	–
	28.01.2000	28.01.2002 – 27.07.2003	1.38	80	(80)	–
	28.01.2000	28.07.2002 – 27.07.2003	1.38	80	(80)	–
	28.01.2000	28.01.2003 – 27.07.2003	1.38	100	(100)	–
Madam Yung Ho Wun Ching	28.01.2000	28.01.2001 – 27.07.2003	1.38	800	(800)	–
	28.01.2000	28.07.2001 – 27.07.2003	1.38	800	(800)	–
	28.01.2000	28.01.2002 – 27.07.2003	1.38	800	(800)	–
	28.01.2000	28.07.2002 – 27.07.2003	1.38	800	(800)	–
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,000	(1,000)	–
Mr. Leung Chun Wah	28.01.2000	28.07.2000 – 27.07.2003	1.38	120	(120)	–
	28.01.2000	28.01.2001 – 27.07.2003	1.38	120	(120)	–
	28.01.2000	28.07.2001 – 27.07.2003	1.38	120	(120)	–
	28.01.2000	28.01.2002 – 27.07.2003	1.38	120	(120)	–
	28.01.2000	28.07.2002 – 27.07.2003	1.38	120	(120)	–
	28.01.2000	28.01.2003 – 27.07.2003	1.38	150	(150)	–

Notes to the Financial Statements

For the year ended 31st December, 2003

29. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share HK\$	Number of share options			
				As at 1.1.2003 '000	Lapsed during the year '000	As at 31.12.2003 '000	
Directors (continued)							
Mr. Plato Poon Chak Sang	28.01.2000	28.07.2000 – 27.07.2003	1.38	120	(120)	–	
	28.01.2000	28.01.2001 – 27.07.2003	1.38	120	(120)	–	
	28.01.2000	28.07.2001 – 27.07.2003	1.38	120	(120)	–	
	28.01.2000	28.01.2002 – 27.07.2003	1.38	120	(120)	–	
	28.01.2000	28.07.2002 – 27.07.2003	1.38	120	(120)	–	
	28.01.2000	28.01.2003 – 27.07.2003	1.38	150	(150)	–	
Mr. Nicholas Yang Wei Hsiung (resigned on 30th September, 2003)	28.01.2000	28.07.2000 – 27.07.2003	1.38	80	(80)	–	
	28.01.2000	28.01.2001 – 27.07.2003	1.38	80	(80)	–	
	28.01.2000	28.07.2001 – 27.07.2003	1.38	80	(80)	–	
	28.01.2000	28.01.2002 – 27.07.2003	1.38	80	(80)	–	
	28.01.2000	28.07.2002 – 27.07.2003	1.38	80	(80)	–	
	28.01.2000	28.01.2003 – 27.07.2003	1.38	100	(100)	–	
				19,628	(19,628)	–	
Employees	28.01.2000	28.07.2000 – 27.07.2003	1.38	684	(684)	–	
	26.05.2000	26.11.2000 – 25.11.2003	1.38	48	(48)	–	
	28.01.2000	28.01.2001 – 27.07.2003	1.38	952	(952)	–	
	26.05.2000	26.05.2001 – 25.11.2003	1.38	48	(48)	–	
	28.01.2000	28.07.2001 – 27.07.2003	1.38	952	(952)	–	
	26.05.2000	26.11.2001 – 25.11.2003	1.38	48	(48)	–	
	28.01.2000	28.01.2002 – 27.07.2003	1.38	952	(952)	–	
	26.05.2000	26.05.2002 – 25.11.2003	1.38	48	(48)	–	
	28.01.2000	28.07.2002 – 27.07.2003	1.38	952	(952)	–	
	26.05.2000	26.11.2002 – 25.11.2003	1.38	48	(48)	–	
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,190	(1,190)	–	
	26.05.2000	26.05.2003 – 25.11.2003	1.38	60	(60)	–	
					5,982	(5,982)	–
					25,610	(25,610)	–

Notes to the Financial Statements

For the year ended 31st December, 2003

29. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

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

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share HK\$	Number of share options		
				As at 1.1.2002 '000	Lapsed during the year '000	As at 31.12.2003 '000
Directors						
Mr. Billy Yung Kwok Kee	28.01.2000	28.07.2000 – 27.07.2003	1.38	1,072	–	1,072
	28.01.2000	28.01.2001 – 27.07.2003	1.38	1,072	–	1,072
	28.01.2000	28.07.2001 – 27.07.2003	1.38	1,072	–	1,072
	28.01.2000	28.01.2002 – 27.07.2003	1.38	1,072	–	1,072
	28.01.2000	28.07.2002 – 27.07.2003	1.38	1,072	–	1,072
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,340	–	1,340
Dr. Yung Yau	28.01.2000	28.01.2001 – 27.07.2003	1.38	1,072	–	1,072
	28.01.2000	28.07.2001 – 27.07.2003	1.38	1,072	–	1,072
	28.01.2000	28.01.2002 – 27.07.2003	1.38	1,072	–	1,072
	28.01.2000	28.07.2002 – 27.07.2003	1.38	1,072	–	1,072
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,340	–	1,340
Dr. Leo Tung-Hai Lee	28.01.2000	28.07.2000 – 27.07.2003	1.38	96	–	96
	28.01.2000	28.01.2001 – 27.07.2003	1.38	96	–	96
	28.01.2000	28.07.2001 – 27.07.2003	1.38	96	–	96
	28.01.2000	28.01.2002 – 27.07.2003	1.38	96	–	96
	28.01.2000	28.07.2002 – 27.07.2003	1.38	96	–	96
	28.01.2000	28.01.2003 – 27.07.2003	1.38	120	–	120
Mr. Shiu-Kit Ngai	28.01.2000	28.07.2000 – 27.07.2003	1.38	80	–	80
	28.01.2000	28.01.2001 – 27.07.2003	1.38	80	–	80
	28.01.2000	28.07.2001 – 27.07.2003	1.38	80	–	80
	28.01.2000	28.01.2002 – 27.07.2003	1.38	80	–	80
	28.01.2000	28.07.2002 – 27.07.2003	1.38	80	–	80
	28.01.2000	28.01.2003 – 27.07.2003	1.38	100	–	100
Madam Yung Ho Wun Ching	28.01.2000	28.01.2001 – 27.07.2003	1.38	800	–	800
	28.01.2000	28.07.2001 – 27.07.2003	1.38	800	–	800
	28.01.2000	28.01.2002 – 27.07.2003	1.38	800	–	800
	28.01.2000	28.07.2002 – 27.07.2003	1.38	800	–	800
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,000	–	1,000
Mr. Leung Chun Wah	28.01.2000	28.07.2000 – 27.07.2003	1.38	120	–	120
	28.01.2000	28.01.2001 – 27.07.2003	1.38	120	–	120
	28.01.2000	28.07.2001 – 27.07.2003	1.38	120	–	120
	28.01.2000	28.01.2002 – 27.07.2003	1.38	120	–	120
	28.01.2000	28.07.2002 – 27.07.2003	1.38	120	–	120
	28.01.2000	28.01.2003 – 27.07.2003	1.38	150	–	150

Notes to the Financial Statements

For the year ended 31st December, 2003

29. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share HK\$	Number of share options			
				As at 1.1.2002 '000	Lapsed during the year '000	As at 31.12.2003 '000	
Directors (continued)							
Mr. Plato Poon Chak Sang	28.01.2000	28.07.2000 – 27.07.2003	1.38	120	–	120	
	28.01.2000	28.01.2001 – 27.07.2003	1.38	120	–	120	
	28.01.2000	28.07.2001 – 27.07.2003	1.38	120	–	120	
	28.01.2000	28.01.2002 – 27.07.2003	1.38	120	–	120	
	28.01.2000	28.07.2002 – 27.07.2003	1.38	120	–	120	
	28.01.2000	28.01.2003 – 27.07.2003	1.38	150	–	150	
Mr. Nicholas Yang Wei Hsiung	28.01.2000	28.07.2000 – 27.07.2003	1.38	80	–	80	
	28.01.2000	28.01.2001 – 27.07.2003	1.38	80	–	80	
	28.01.2000	28.07.2001 – 27.07.2003	1.38	80	–	80	
	28.01.2000	28.01.2002 – 27.07.2003	1.38	80	–	80	
	28.01.2000	28.07.2002 – 27.07.2003	1.38	80	–	80	
	28.01.2000	28.01.2003 – 27.07.2003	1.38	100	–	100	
				19,628	–	19,628	
Employees	28.01.2000	28.07.2000 – 27.07.2003	1.38	684	–	684	
	26.05.2000	26.11.2000 – 25.11.2003	1.38	48	–	48	
	28.01.2000	28.01.2001 – 27.07.2003	1.38	952	–	952	
	26.05.2000	26.05.2001 – 25.11.2003	1.38	48	–	48	
	28.01.2000	28.07.2001 – 27.07.2003	1.38	952	–	952	
	26.05.2000	26.11.2001 – 25.11.2003	1.38	48	–	48	
	28.01.2000	28.01.2002 – 27.07.2003	1.38	952	–	952	
	26.05.2000	26.05.2002 – 25.11.2003	1.38	48	–	48	
	28.01.2000	28.07.2002 – 27.07.2003	1.38	952	–	952	
	26.05.2000	26.11.2002 – 25.11.2003	1.38	48	–	48	
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,190	–	1,190	
	26.05.2000	26.05.2003 – 25.11.2003	1.38	60	–	60	
					5,982	–	5,982
					25,610	–	25,610

Notes to the Financial Statements

For the year ended 31st December, 2003

29. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

(ii) The Subsidiaries

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"), subsidiaries of the Company, became effective. Certain directors, employees and consultants 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.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Appeon ("Appeon Scheme"), together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of Appeon and/or its subsidiary, must not exceed 30% of the number of issued shares from time to time (subject to the approval of the shareholders of the Company). At the date of issue of these financial statements, the total maximum number of options available for issue under the Appeon Scheme amounted to 564,615 (subject to the approval of the shareholders of the Company) which represented 18.72% of the issued share capital of Appeon (excluding any shares issued pursuant to the Appeon Scheme) on the same date.

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2003 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options		
				As at 1.1.2003	Lapsed during the year	As at 31.12.2003
Directors of the Company						
Mr. Billy Yung Kwok Kee	09.06.2003	09.06.2003 – 10.11.2012	2.50	–	6,750	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	–	3,375	3,375
Dr. Yung Yau	09.06.2003	09.06.2003 – 10.11.2012	2.50	–	6,750	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	–	3,375	3,375
				–	54,000	54,000
Directors of Appeon						
Directors of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	22,500	–	22,500
	25.11.2002	01.04.2003 – 10.11.2012	2.50	22,500	–	22,500
	25.11.2002	01.10.2003 – 10.11.2012	2.50	22,500	–	22,500
	25.11.2002	01.04.2004 – 10.11.2012	2.50	22,500	–	22,500
	25.11.2002	01.10.2004 – 10.11.2012	2.50	22,500	–	22,500
	25.11.2002	01.04.2005 – 10.11.2012	2.50	22,500	–	22,500
	25.11.2002	01.10.2005 – 10.11.2012	2.50	22,500	–	22,500
	25.11.2002	01.04.2006 – 10.11.2012	2.50	22,500	–	22,500
	02.06.2003	02.06.2003 – 10.11.2012	2.50	–	2,250	2,250
	02.06.2003	01.10.2003 – 10.11.2012	2.50	–	1,125	1,125
	02.06.2003	01.04.2004 – 10.11.2012	2.50	–	1,125	1,125
	02.06.2003	01.10.2004 – 10.11.2012	2.50	–	1,125	1,125
	02.06.2003	01.04.2005 – 10.11.2012	2.50	–	1,125	1,125
	02.06.2003	01.10.2005 – 10.11.2012	2.50	–	1,125	1,125
02.06.2003	01.04.2006 – 10.11.2012	2.00	–	1,125	1,125	
				180,000	9,000	189,000

Notes to the Financial Statements

For the year ended 31st December, 2003

29. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			
				As at 1.1.2003	Lapsed during the year	As at 31.12.2003	
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	13,249	–	13,249	
	25.11.2002	01.04.2003 – 10.11.2012	2.50	7,626	–	7,626	
	25.11.2002	01.10.2003 – 10.11.2012	2.50	7,624	–	7,624	
	25.11.2002	01.04.2004 – 10.11.2012	2.50	7,626	–	7,626	
	25.11.2002	01.10.2004 – 10.11.2012	2.50	7,624	–	7,624	
	25.11.2002	01.04.2005 – 10.11.2012	2.50	6,376	–	6,376	
	25.11.2002	01.10.2005 – 10.11.2012	2.50	6,374	–	6,374	
	25.11.2002	01.04.2006 – 10.11.2012	2.50	4,501	–	4,501	
	02.06.2003	02.06.2003 – 10.11.2012	2.50	–	750	750	
	02.06.2003	01.10.2003 – 10.11.2012	2.50	–	375	375	
	02.06.2003	01.04.2004 – 10.11.2012	2.50	–	375	375	
	02.06.2003	01.10.2004 – 10.11.2012	2.50	–	375	375	
	02.06.2003	01.04.2005 – 10.11.2012	2.50	–	375	375	
	02.06.2003	01.10.2005 – 10.11.2012	2.50	–	375	375	
	02.06.2003	01.04.2006 – 10.11.2012	2.50	–	375	375	
					61,000	3,000	64,000
	Consultants of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,625	–	1,625
		25.11.2002	01.04.2003 – 10.11.2012	2.50	1,625	–	1,625
		25.11.2002	01.10.2003 – 10.11.2012	2.50	1,625	–	1,625
		25.11.2002	01.04.2004 – 10.11.2012	2.50	1,625	–	1,625
		25.11.2002	01.10.2004 – 10.11.2012	2.50	1,625	–	1,625
25.11.2002		01.04.2005 – 10.11.2012	2.50	1,625	–	1,625	
25.11.2002		01.10.2005 – 10.11.2012	2.50	1,625	–	1,625	
25.11.2002		01.04.2006 – 10.11.2012	2.50	1,625	–	1,625	
09.06.2003		02.06.2003 – 10.11.2012	0.10	–	5,106	5,106	
09.06.2003		01.10.2003 – 10.11.2012	0.10	–	2,553	2,553	
09.06.2003		01.04.2004 – 10.11.2012	0.10	–	2,553	2,553	
09.06.2003		01.10.2004 – 10.11.2012	0.10	–	2,553	2,553	
09.06.2003		01.04.2005 – 10.11.2012	0.10	–	2,553	2,553	
09.06.2003		01.10.2005 – 10.11.2012	0.10	–	2,553	2,553	
09.06.2003		01.04.2006 – 10.11.2012	0.10	–	2,554	2,554	
					13,000	20,425	33,425
					254,000	86,425	340,425

Notes to the Financial Statements

For the year ended 31st December, 2003

29. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Movements in the share options to subscribe for shares in Apeeon since the adoption of Apeeon Scheme to 31st December, 2002 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options	
				Granted during the period	As at 31.12.2002
Directors of Apeeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	22,500	22,500
	25.11.2002	01.04.2003 – 10.11.2012	2.50	22,500	22,500
	25.11.2002	01.10.2003 – 10.11.2012	2.50	22,500	22,500
	25.11.2002	01.04.2004 – 10.11.2012	2.50	22,500	22,500
	25.11.2002	01.10.2004 – 10.11.2012	2.50	22,500	22,500
	25.11.2002	01.04.2005 – 10.11.2012	2.50	22,500	22,500
	25.11.2002	01.10.2005 – 10.11.2012	2.50	22,500	22,500
	25.11.2002	01.04.2006 – 10.11.2012	2.50	22,500	22,500
				180,000	180,000
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	13,249	13,249
	25.11.2002	01.04.2003 – 10.11.2012	2.50	7,626	7,626
	25.11.2002	01.10.2003 – 10.11.2012	2.50	7,624	7,624
	25.11.2002	01.04.2004 – 10.11.2012	2.50	7,626	7,626
	25.11.2002	01.10.2004 – 10.11.2012	2.50	7,624	7,624
	25.11.2002	01.04.2005 – 10.11.2012	2.50	6,376	6,376
	25.11.2002	01.10.2005 – 10.11.2012	2.50	6,374	6,374
	25.11.2002	01.04.2006 – 10.11.2012	2.50	4,501	4,501
				61,000	61,000
Consultants of Apeeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,625	1,625
	25.11.2002	01.04.2003 – 10.11.2012	2.50	1,625	1,625
	25.11.2002	01.10.2003 – 10.11.2012	2.50	1,625	1,625
	25.11.2002	01.04.2004 – 10.11.2012	2.50	1,625	1,625
	25.11.2002	01.10.2004 – 10.11.2012	2.50	1,625	1,625
	25.11.2002	01.04.2005 – 10.11.2012	2.50	1,625	1,625
	25.11.2002	01.10.2005 – 10.11.2012	2.50	1,625	1,625
	25.11.2002	01.04.2006 – 10.11.2012	2.50	1,625	1,625
				13,000	13,000
				254,000	254,000

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Galactic ("Galactic Scheme"), together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of Galactic and/or its subsidiary, must not exceed 30% of the number of issued shares from time to time (subject to the approval of the shareholders of the Company). At the date of issue of these financial statements, the total maximum number of options available for issue under the Galactic Scheme amounted to 923,334 (subject to the approval of the shareholders of the Company) which represented 11.87% of the issued share capital of Galactic (excluding any shares issued pursuant to the Galactic Scheme) on the same date.

Notes to the Financial Statements

For the year ended 31st December, 2003

29. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			
				As at 1.1.2003	Granted during the year	As at 31.12.2003	
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	12,500	–	12,500	
	25.11.2002	01.12.2003 – 10.11.2012	0.45	12,500	–	12,500	
	25.11.2002	01.06.2004 – 10.11.2012	0.45	12,500	–	12,500	
	25.11.2002	01.12.2004 – 10.11.2012	0.45	12,500	–	12,500	
	25.11.2002	01.06.2005 – 10.11.2012	0.45	12,500	–	12,500	
	25.11.2002	01.12.2005 – 10.11.2012	0.45	12,500	–	12,500	
	25.11.2002	01.06.2006 – 10.11.2012	0.45	12,500	–	12,500	
	25.11.2002	01.12.2006 – 10.11.2012	0.45	12,500	–	12,500	
				100,000	–	100,000	
Consultants of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	37,500	–	37,500	
	25.11.2002	01.12.2003 – 10.11.2012	0.45	37,500	–	37,500	
	25.11.2002	01.06.2004 – 10.11.2012	0.45	37,500	–	37,500	
	25.11.2002	01.12.2004 – 10.11.2012	0.45	37,500	–	37,500	
	25.11.2002	01.06.2005 – 10.11.2012	0.45	37,500	–	37,500	
	25.11.2002	01.12.2005 – 10.11.2012	0.45	37,500	–	37,500	
	25.11.2002	01.06.2006 – 10.11.2012	0.45	37,500	–	37,500	
	25.11.2002	01.12.2006 – 10.11.2012	0.45	37,500	–	37,500	
		28.01.2003	01.08.2003 – 10.11.2012	0.45	–	6,250	6,250
		28.01.2003	01.02.2004 – 10.11.2012	0.45	–	6,250	6,250
		28.01.2003	01.08.2004 – 10.11.2012	0.45	–	6,250	6,250
		28.01.2003	01.02.2005 – 10.11.2012	0.45	–	6,250	6,250
		28.01.2003	01.08.2005 – 10.11.2012	0.45	–	6,250	6,250
		28.01.2003	01.02.2006 – 10.11.2012	0.45	–	6,250	6,250
		28.01.2003	01.08.2006 – 10.11.2012	0.45	–	6,250	6,250
		28.01.2003	01.02.2007 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.08.2003 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.02.2004 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.08.2004 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.02.2005 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.08.2005 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.02.2006 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.08.2006 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.02.2007 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	09.06.2003 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.12.2003 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.06.2004 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.12.2004 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.06.2005 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.12.2005 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.06.2006 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.12.2006 – 10.11.2012	0.45	–	6,250	6,250
				300,000	150,000	450,000	
				530,000	880,000	1,410,000	

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For the year ended 31st December, 2003

29. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Movements in the share options to subscribe for shares in Galactic since the adoption of Galactic Scheme to 31st December, 2002 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options	
				Granted during the period	As at 31.12.2002
Directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	16,250	16,250
	25.11.2002	01.12.2003 – 10.11.2012	0.45	16,250	16,250
	25.11.2002	01.06.2004 – 10.11.2012	0.45	16,250	16,250
	25.11.2002	01.12.2004 – 10.11.2012	0.45	16,250	16,250
	25.11.2002	01.06.2005 – 10.11.2012	0.45	16,250	16,250
	25.11.2002	01.12.2005 – 10.11.2012	0.45	16,250	16,250
	25.11.2002	01.06.2006 – 10.11.2012	0.45	16,250	16,250
	25.11.2002	01.12.2006 – 10.11.2012	0.45	16,250	16,250
				130,000	130,000
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	12,500	12,500
	25.11.2002	01.12.2003 – 10.11.2012	0.45	12,500	12,500
	25.11.2002	01.06.2004 – 10.11.2012	0.45	12,500	12,500
	25.11.2002	01.12.2004 – 10.11.2012	0.45	12,500	12,500
	25.11.2002	01.06.2005 – 10.11.2012	0.45	12,500	12,500
	25.11.2002	01.12.2005 – 10.11.2012	0.45	12,500	12,500
	25.11.2002	01.06.2006 – 10.11.2012	0.45	12,500	12,500
	25.11.2002	01.12.2006 – 10.11.2012	0.45	12,500	12,500
				100,000	100,000
Consultants of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	37,500	37,500
	25.11.2002	01.12.2003 – 10.11.2012	0.45	37,500	37,500
	25.11.2002	01.06.2004 – 10.11.2012	0.45	37,500	37,500
	25.11.2002	01.12.2004 – 10.11.2012	0.45	37,500	37,500
	25.11.2002	01.06.2005 – 10.11.2012	0.45	37,500	37,500
	25.11.2002	01.12.2005 – 10.11.2012	0.45	37,500	37,500
	25.11.2002	01.06.2006 – 10.11.2012	0.45	37,500	37,500
	25.11.2002	01.12.2006 – 10.11.2012	0.45	37,500	37,500
				300,000	300,000
				530,000	530,000

The Company considers that it is not appropriate to state the value of the share options granted during the period because generally accepted pricing models of options normally value options which were transferable (share options granted by the subsidiaries were strictly non-transferable). Besides, some parameters under the generally accepted pricing model could only be derived from historical statistical data. Owing to the reasons set out above, the Company consider that any calculation of the value of the subsidiaries' share options would not be meaningful and would be misleading to the shareholders.

The total consideration received during the year from grantees for taking up the options granted is amounted to HK\$4 (2002: HK\$11) for options granted under Appeon Scheme and HK\$7 (2002: HK\$6) granted under Galactic Scheme.

Notes to the Financial Statements

For the year ended 31st December, 2003

30. 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 30.

The retained profits of the Group include HK\$100,215,000 (2002: HK\$89,781,000) 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, 2002						
- as originally stated	529,289	12,034	10,581	12,744	1,220,322	1,784,970
- adjustment on adoption of SSAP 12 (Revised) (Note 2)	-	-	-	-	(402)	(402)
	<u>529,289</u>	<u>12,034</u>	<u>10,581</u>	<u>12,744</u>	<u>1,219,920</u>	<u>1,784,568</u>
Revaluation decrease	-	(2,800)	-	-	-	(2,800)
Net loss for the year	-	-	-	-	(29,364)	(29,364)
Overprovision of dividend 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)	-
Shares repurchased	-	-	32,672	-	(66,974)	(34,302)
At 31st December, 2002	529,289	9,234	43,253	4,444	1,114,043	1,700,263
Revaluation decrease	-	(1,500)	-	-	-	(1,500)
Net profit for the year	-	-	-	-	1,211	1,211
Overprovision of dividend due to shares repurchased	-	-	-	(9)	9	-
Interim dividend declared	-	-	-	13,302	(13,302)	-
Dividends paid	-	-	-	(17,737)	-	(17,737)
Final dividend proposed	-	-	-	31,038	(31,038)	-
Shares repurchased	-	-	504	-	(1,008)	(504)
At 31st December, 2003	<u>529,289</u>	<u>7,734</u>	<u>43,757</u>	<u>31,038</u>	<u>1,069,915</u>	<u>1,681,733</u>

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

	2003 HK\$'000	2002 HK\$'000
Dividend reserve	31,038	4,444
Retained profits	1,069,915	1,114,043
	<u>1,100,953</u>	<u>1,118,487</u>

Notes to the Financial Statements

For the year ended 31st December, 2003

31. 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.

32. LOANS FROM MINORITY SHAREHOLDERS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Interest-bearing (Note)	293,609	282,455
Non-interest-bearing	9,193	11,106
	302,802	293,561

Note:

The amount are unsecured, bear interest at 5.76% (2002: 8% or 5.76%) per annum and are repayable after the settlement of all operating expenses, interest on loans and tax liabilities of the subsidiary. During the year ended 31st December, 2002, interest payable to minority shareholders amounting to HK\$3,931,000 was waived by the minority shareholders.

33. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

THE GROUP

	Accelerated tax depreciation HK\$'000	Amortisation on intangible assets HK\$'000	Allowance on trade receivables HK\$'000	Allowance on inventories HK\$'000	Revaluation of properties HK\$'000	Others HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st January, 2002								
- as originally stated	-	-	-	-	-	-	-	-
- adjustments on adoption of SSAP 12 (Revised)	2,155	1,846	(506)	-	173	-	(5,664)	(1,996)
- as restated	2,155	1,846	(506)	-	173	-	(5,664)	(1,996)
Charge (credit) to income statement for the year	863	1,136	(1)	-	-	7	5,598	7,603
At 31st December, 2002	3,018	2,982	(507)	-	173	7	(66)	5,607
Effect on change in tax rate charge (credit) to income statement	85	-	(47)	-	-	-	-	38
(Credit) charge to income statement for the year	(919)	1,629	43	(29)	-	(4)	(1,885)	(1,165)
Charge to equity	-	-	-	-	915	-	-	915
At 31st December, 2003	2,184	4,611	(511)	(29)	1,088	3	(1,951)	5,395

Notes to the Financial Statements

For the year ended 31st December, 2003

33. DEFERRED TAXATION (continued)

Represented by:

	2003 HK\$'000	2002 HK\$'000
Deferred tax liabilities	8,324	5,607
Deferred tax assets	(2,929)	–
	<u>5,395</u>	<u>5,607</u>

At the balance sheet date, the Group's unused tax losses available for offset against future profits, not recognised as deferred tax assets, are analysed as follows:

	2003 HK\$'000	2002 HK\$'000
2003	N/A	109,515
2004	25,565	28,032
2005	73,874	79,537
2006	120,750	121,147
2007	12,701	20,829
2008	46,129	1,282
2009	2,802	4,583
2010	8,093	8,093
2011	15,256	15,256
2012	37,870	37,870
2013	5,519	5,519
2018	22,376	22,376
2019	63,782	63,782
2020	20,101	20,101
2021	7,481	7,481
2022	4,230	4,230
Carried forward indefinitely	<u>126,635</u>	<u>173,425</u>
	<u>593,164</u>	<u>723,058</u>

THE COMPANY

	Accelerated tax depreciation HK\$'000	Amortisation of intangible assets HK\$'000	Allowance on trade receivables HK\$'000	Allowance on inventories HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st January, 2002						
– as originally stated	–	–	–	–	–	–
– adjustment on adoption of SSAP 12 (Revised)	1,134	–	(506)	–	(5,664)	(5,036)
– as restated	1,134	–	(506)	–	(5,664)	(5,036)
(Credit) Charge to income statement for the year	(224)	–	(2)	–	–	(226)
Utilisation of tax losses	–	–	–	–	5,664	5,664
At 31st December, 2002	910	–	(508)	–	–	402
Effect on change in tax rate charge (credit) to income statement	85	–	(47)	–	–	38
Charge (credit) to income for the year	52	(47)	43	(29)	–	19
At 31st December, 2003	<u>1,047</u>	<u>(47)</u>	<u>(512)</u>	<u>(29)</u>	<u>–</u>	<u>459</u>

For the purposes of balance sheet presentation, the deferred tax assets and liabilities have been offset as they are related to income taxes levied by the same taxation authority.

Notes to the Financial Statements

For the year ended 31st December, 2003

34. DECONSOLIDATION OF A SUBSIDIARY

During the year ended 31st December, 2002, the directors determined to deconsolidate an inactive subsidiary, Guangzhou SMC Informatics Co., Ltd., and this subsidiary had been liquidated in accordance with the respective jurisdiction.

	2003 HK\$'000	2002 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
	–	–

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

35. MAJOR NON-CASH TRANSACTIONS

- a. During the year, trade receivable from a customer amounting to HK\$4,046,000 was used to settle the purchase consideration of unlisted debt securities issued by the customer.
- b. During the year, interest in an subsidiary was partially disposed of at HK\$214,000 which had not been settled as at 31st December, 2003.
- c. At 31st December, 2003, purchase of taxi licence of HK\$2,723,000 included in intangible assets had not yet settled.
- d. Included in finance cost is interest expenses payable to minority shareholders amounting to HK\$17,364,000 which have not yet paid at 31st December, 2003.
- e. Included in the other operating income is interest income from associates amounting to HK\$6,358,000 (2002: HK\$31,267,000) which have not yet received at 31st December, 2003.
- f. During the year ended 31st December, 2002, loans from minority shareholders amounting to HK\$22,572,000 was capitalised as share capital in a subsidiary of the Company.

36. PLEDGE OF ASSETS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
The pledged bank and other deposits comprise:		
Bank deposits to secure banking facilities granted to a subsidiary of the Company	8,428	–
Other deposits to secure general investment facilities granted to a subsidiary of the Company	903	–
	9,331	–

In addition to above, certain of the Group's investment properties with an aggregate book value of HK\$234,007,000 (2002: HK\$242,481,000) 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\$65,160,000 (2002: HK\$65,208,000).

Notes to the Financial Statements

For the year ended 31st December, 2003

37. 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.

	2003 HK\$'000	2002 HK\$'000
Shipping and other guarantees granted to the Group	–	408
an associate	22,400	–
Letter of credit to secure the banking facilities granted to an associate	–	22,364

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.

38. POST BALANCE SHEET EVENTS

- (a) Pursuant to a conditional agreement dated 20th February, 2004, Dong Wen Investments Limited, the Company's wholly owned subsidiary, agreed to dispose of its entire equity interest in Shunde Shunyue Highway Construction Limited ("Shunyue"), representing 52% equity interests in Shunyue, to an investment arm of 佛山市順德區人民政府 for a consideration of approximately RMB80,820,000 (equivalent to HK\$76,170,000). The principal activities of Shunyue are the investment, construction and operation of a toll road in the municipal area of Shunde, the PRC. Details of this transaction are set out in the circular to the shareholders of the Company dated 11th March, 2004.
- (b) Pursuant to an agreement dated 16th March, 2004, the Company agreed to dispose of its entire equity interest in Shell & Shinsho Company Limited ("Shell & Shinsho"), representing 70% equity interests in Shell & Shinsho, to an independent third party for a consideration of approximately HK\$29,274,000. The principal activities of Shell & Shinsho are steel plate processing and trading. The transaction was completed on 23rd March, 2004.

39. CAPITAL COMMITMENTS

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Contracted for but not provided in the financial statements:		
Establishment of a joint venture to develop manufacturing facilities in the PRC	3,943	6,630
Purchase of taxi licences	–	27,492
Construction of factory premises	346	32
Purchase of tools, moulds and equipment	209	–
	4,498	34,154

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

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For the year ended 31st December, 2003

40. OPERATING LEASE COMMITMENTS

The Group/Company as lessee

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	703	1,108	1,264	1,271

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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	3,188	1,609	1,200	1,200
In the second to fifth year inclusive	5,915	4,212	4,500	4,800
Over five years	–	87	–	900
	9,103	5,908	5,700	6,900

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

The Group/Company as lessor

Property rental income earned during the year was HK\$58,663,000 (2002: HK\$57,391,000). 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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	54,641	57,329	2,973	5,193
In the second to fifth year inclusive	167,898	174,484	975	1,132
Over five years	97,420	135,997	–	–
	319,959	367,810	3,948	6,325

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41. RELATED PARTY TRANSACTIONS

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

	Notes	Minority shareholders		Associates		Related company	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Purchases from	(a)	54,466	55,060	–	–	–	–
Interest paid to	(b)	17,881	5,010	–	–	–	–
Commission received from	(c)	923	2,055	–	–	–	–
Interest received from	(b)	–	–	6,358	31,267	–	–
Management fee paid to	(d)	–	111	–	–	–	–
Commission paid to	(e)	–	–	142	151	64	86

Notes:

- (a) The transactions were carried out at cost plus a percentage profit mark-up.
- (b) The transactions were based on interest rates agreed by the parties concerned.
- (c) The transactions were based on an agreed rate charged on trading of goods.
- (d) The transactions were based on the predetermined value agreed between the relevant parties.
- (e) The transactions were based on a fixed rate charged on the value of trading of securities on an agreed amount for the commission paid to a related company and on the provision of property leasing management services for commission paid to associates. 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.

At 31st December, 2002, the Company had issued a standby letter of credit amounting to approximately HK\$22,364,000 to secure the credit facility granted by a banker to its associate.

At 31st December, 2003, the Company had applied shipping and other guarantees amounted to HK\$22,400,000 and granted to its associate.

42. 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		Principal activities
				Directly	Indirectly	
Appeon Corporation	British Virgin Islands	Ordinary	3,016,801 shares of US\$0.01 each	–	72.45%	Investment holding
China Hope Limited	British Virgin Islands	Ordinary	1,000 share 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

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42. 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		Principal activities
				Directly	Indirectly	
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 a)	Paid up capital	US\$20,960,000	–	98%	Manufacturing and trading of cables and electrical wires
Guangzhou SMC Car Rental Company Limited	PRC (Note a)	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
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 a)	Paid up capital	US\$6,792,000	–	90.1%	Manufacturing and trading of welded tubes
Shunde Shun Yue Highway Construction Limited	PRC (Note a)	Paid up capital	RMB81,587,000	–	52%	Operation of a highway in the PRC
佛山市順德區覲華多媒體制品有限公司	PRC (Note a)	Paid up capital	US\$9,863,300	–	100%	Manufacturing and trading of electrical appliances

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42. 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		Principal activities
				Directly	Indirectly	
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 a)	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%	–	Provision of management services
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Trading of electrical appliances
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	–	100%	Design, management and trading of electrical appliances
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 b)	Paid up capital	HK\$10,000,000	–	100%	Property investment
正陽軟件(深圳)有限公司	PRC (Note b)	Paid up capital	HK\$2,000,000	–	72.45%	Computer software development
星盈科技(深圳)有限公司	PRC (Note b)	Paid up capital	HK\$3,000,000	–	100%	Computer software and hardware development

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Notes:

- (a) The Companies are incorporated in the PRC as cooperative or equity joint ventures.
- (b) 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.

43. 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 and investment
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