



Notes to the Financial Statements

For the year ended December 31, 2003

1. General information

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

The Group is engaged in the import, distribution and direct marketing of air-conditioning products, audio-visual and electrical products and cars and car accessories.

2. Adoption of Hong Kong Financial Reporting Standards

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA:

SSAP 12 (Revised) "Income taxes"

The Group has adopted SSAP 12 (Revised) "Income taxes". 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 balance of accumulated losses at January 1, 2002 has been increased by HK\$32,000,000, representing the cumulative effect of the change in policy on the results for the period prior to January 1, 2002. The change has resulted an increase in the net loss of HK\$2,143,000 for the year ended December 31, 2003 (2002: an increase in the net profit HK\$451,000).

Notes to the Financial Statements

For the year ended December 31, 2003

3. Significant accounting policies

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

Basis of consolidation

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

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

Investments in subsidiaries

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

Interests in associates

The consolidated profit and loss account 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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition. Goodwill arising on acquisition prior to January 1, 2001 continues to be held in reserves, and will be charged to the profit and loss account 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 January 1, 2001 is capitalised and amortised on a straight-line basis over its estimated useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.



Notes to the Financial Statements

For the year ended December 31, 2003

3. Significant accounting policies *(continued)*

Revenue recognition

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

Maintenance service income is recognised when services are rendered.

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

Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

Commission income is recognised when the relevant services are rendered.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the terms of the relevant leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition (or, if lower, at the present value of the minimum lease payment). The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs are charged to the profit and loss account over the terms of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Notes to the Financial Statements

For the year ended December 31, 2003

3. Significant accounting policies *(continued)*

Leasing *(continued)*

The Group as lessee (continued)

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the terms of the relevant leases.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

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

Retirement benefit costs

Payments to defined contribution retirement schemes are charged as an expense as they fall due.

Taxation

Income tax expense 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 profit and loss account because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes profit and loss account items that are never taxable or deductible.



Notes to the Financial Statements

For the year ended December 31, 2003

3. Significant accounting policies *(continued)*

Taxation *(continued)*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts 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 Company 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 profits 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 profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Financial Statements

For the year ended December 31, 2003

3. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and recognised impairment losses.

Depreciation is charged so as to write off the cost of items or valuation of property, plant and equipment, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Land held under medium-term lease	Over the unexpired term of lease
Buildings on land held under medium-term lease	2½ - 5%
Leasehold improvements	20%
Furniture, fixtures and equipment	10 - 20%
Machinery and tools	20 - 33⅓%
Motor vehicles	20 - 25%

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

The gain or loss arising on 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 profit and loss account.

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 each 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 on 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 profit and loss account. Where a decrease has previously been charged to the profit and loss account and a revaluation increase subsequently arises, this increase is credited to the profit and loss account to the extent of the decrease previously charged.

On disposal of an investment properties, the balance on the investment property revaluation reserve attributable to the property disposed of is transferred to the profit and loss account.



Notes to the Financial Statements

For the year ended December 31, 2003

3. Significant accounting policies *(continued)*

Investment properties *(continued)*

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Investments in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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. An impairment loss is recognised as an expense immediately.

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.

Notes to the Financial Statements

For the year ended December 31, 2003

4. Turnover

	2003	2002
	HK\$'000	HK\$'000
Sales of goods to customers, less returns and discounts	513,102	537,342
Maintenance service income	40,130	35,051
	<u>553,232</u>	<u>572,393</u>

5. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into five operating divisions: air-conditioning products, audio-visual and other electrical products, cars and car accessories, direct marketing and property investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Air-conditioning products	Distribution and installation of air-conditioning products
Audio-visual and other electrical products	Distribution of audio-visual equipment, including car audio, and home appliances
Cars and car accessories	Trading of cars and related accessories and provision of car repairing services
Direct marketing	Retailing of consumer electronic products and home appliances
Property investment	Rental of investment properties and properties held for sale

Notes to the Financial Statements

For the year ended December 31, 2003

5. Business and geographical segments *(continued)*

Business segments *(continued)*

Segment information about these businesses is presented below.

2003

	Audio-visual							Consolidated HK\$'000
	Air- conditioning products HK\$'000	and other electrical products HK\$'000	Cars and car accessories HK\$'000	Direct marketing HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	
Turnover								
External sales	137,102	121,904	226,195	68,031	-	-	-	553,232
Inter-segment sales	2,115	12,146	-	201	-	-	(14,462)	-
Total turnover	<u>139,217</u>	<u>134,050</u>	<u>226,195</u>	<u>68,232</u>	<u>-</u>	<u>-</u>	<u>(14,462)</u>	<u>553,232</u>
Inter-segment sales are charged at prevailing market rates.								
Result								
Segment result	<u>(253)</u>	<u>617</u>	<u>(14,514)</u>	<u>(8,395)</u>	<u>(19,008)</u>	<u>-</u>	<u>(43)</u>	(41,596)
Unallocated investment income								593
Unallocated corporate expenses								<u>(8,374)</u>
Loss from operations								(49,377)
Finance costs								(10,309)
Net loss on disposal or liquidation of subsidiaries	-	-	-	-	(524)	(202)	-	(726)
Share of results of associates	-	(22,220)	-	-	-	-	-	<u>(22,220)</u>
Loss before tax								(82,632)
Income tax								<u>(2,699)</u>
Loss after tax								(85,331)
Minority interests								<u>579</u>
Loss attributable to shareholders								<u><u>(84,752)</u></u>

Notes to the Financial Statements

For the year ended December 31, 2003

5. Business and geographical segments (continued)

Business segments (continued)

2003 (continued)

	Audio-visual						Eliminations	Consolidated
	Air-conditioning products	and other electrical products	Cars and car accessories	Direct marketing	Property investment	Others		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Consolidated balance sheet								
Assets								
Segment assets	48,507	51,643	74,030	13,229	185,328	-	-	372,737
Interests in associates	-	92,036	-	-	-	-	-	92,036
Unallocated corporate assets								181,549
Consolidated total assets								<u>646,322</u>
Liabilities								
Segment liabilities	25,603	21,606	51,615	5,572	5,723	-	-	110,119
Unallocated corporate liabilities								274,287
Consolidated total liabilities								<u>384,406</u>
Other information								
Capital additions	163	111	853	68	1,105	1,229	-	3,529
Depreciation and amortisation	177	234	1,492	96	112	5,780	-	7,891
Write down of properties held for sale to net realisable value	-	-	-	-	18,911	-	-	18,911
Loss on disposal of investment properties	-	-	-	-	8,526	-	-	8,526

Notes to the Financial Statements

For the year ended December 31, 2003

5. Business and geographical segments *(continued)*

Business segments *(continued)*

2002

	Air- conditioning products HK\$'000	Audio-visual and other electrical products HK\$'000	Cars and car accessories HK\$'000	Direct marketing HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000 <i>(As restated)</i>
Turnover								
External sales	178,873	115,509	214,710	63,301	-	-	-	572,393
Inter-segment sales	3,597	12,410	-	-	-	-	(16,007)	-
Total turnover	182,470	127,919	214,710	63,301	-	-	(16,007)	572,393

Inter-segment sales are charged at prevailing market rates.

Result

Segment result	<u>10,701</u>	<u>2,453</u>	<u>(270)</u>	<u>(6,127)</u>	<u>(5,129)</u>	<u>-</u>	<u>(390)</u>	1,238
Unallocated investment income								388
Unallocated corporate expenses								<u>(10,687)</u>
Loss from operations								(9,061)
Finance costs								(10,481)
Net gain on disposal or liquidation of subsidiaries	-	27,719	-	-	-	-	-	27,719
Gain on disposal of an associate	10,892	-	-	-	-	-	-	10,892
Share of results of associates	3,836	(15,469)	-	-	-	83	-	<u>(11,550)</u>
Profit before tax								7,519
Income tax								<u>(1,071)</u>
Profit after tax								6,448
Minority interests								<u>12</u>
Profit attributable to shareholders								<u><u>6,460</u></u>

Notes to the Financial Statements

For the year ended December 31, 2003

5. Business and geographical segments (continued)

Business segments (continued)

2002 (continued)

	Air- conditioning products HK\$'000	Audio-visual and other electrical products HK\$'000	Cars and car accessories HK\$'000	Direct marketing HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000 (As restated)
Consolidated balance sheet								
Assets								
Segment assets	60,342	39,161	56,592	10,724	224,235	-	-	391,054
Interests in associates	-	115,533	-	-	-	-	-	115,533
Unallocated corporate assets								190,382
Consolidated total assets								<u>696,969</u>
Liabilities								
Segment liabilities	44,398	19,439	35,473	6,156	6,620	-	-	112,086
Unallocated corporate liabilities								270,485
Consolidated total liabilities								<u>382,571</u>
Other information								
Capital additions	133	396	3,034	280	95	2,707	-	6,645
Depreciation and amortisation	305	231	1,335	82	-	6,670	-	8,623
Deficit on revaluation of investment properties	-	-	-	-	130	-	-	130
Write-down of properties held for sale to net realisable value	-	-	-	-	6,000	-	-	6,000

Notes to the Financial Statements

For the year ended December 31, 2003

5. Business and geographical segments *(continued)*

Geographical segments

The Group's operations are mainly located in Hong Kong, Singapore, Malaysia, The People's Republic of China (other than Hong Kong and Macau) (the "PRC") and Macau. The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market		Contribution to operating results	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	385,951	433,155	(17,907)	(2,984)
Singapore	56,220	54,105	358	917
Malaysia	21,609	18,423	1,544	1,163
PRC	44,946	34,087	(39,554)	(13,533)
Macau	36,498	30,440	115	1,137
Others	8,008	2,183	466	41
	<u>553,232</u>	<u>572,393</u>	<u>(54,978)</u>	<u>(13,259)</u>
Other operating income			13,382	14,497
Unallocated investment income			593	388
Unallocated corporate expenses			(8,374)	(10,687)
Loss from operations			<u>(49,377)</u>	<u>(9,061)</u>

Notes to the Financial Statements

For the year ended December 31, 2003

5. Business and geographical segments *(continued)*

Geographical segments *(continued)*

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

	Carrying amount of segment assets		Additions to property, plant and equipment and investment properties	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	420,148	408,896	2,176	6,022
Singapore	23,981	22,680	107	134
Malaysia	9,745	7,212	22	271
PRC	191,662	256,160	1,224	218
Macau	759	739	–	–
	<u>646,295</u>	<u>695,687</u>	<u>3,529</u>	<u>6,645</u>

6. Other operating income

	2003 HK\$'000	2002 HK\$'000
Rental income (before deducting outgoings of HK\$4,733,000 (2002: HK\$4,472,000))	11,225	11,615
Commission income	2,157	2,862
Finance lease interest income	–	20
	<u>13,382</u>	<u>14,497</u>



Notes to the Financial Statements

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7. Investment income

	2003 HK\$'000	2002 HK\$'000
Interest income from bank deposits	11	42
Interest income from trade and other receivables	475	5
Interest income from a related party	106	74
Dividend income from listed shares	1	–
Dividend income from unlisted shares	–	267
	<u>593</u>	<u>388</u>

8. Loss from operations

	2003 HK\$'000	2002 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration	880	896
Depreciation of:		
Owned assets	7,891	8,441
Assets held under finance leases	–	182
Staff costs, including Directors' emoluments	62,653	65,927
Unrealised holding loss of other investments	–	111
Cost of inventories recognised as expenses (included write-down of inventories to their net realisable value of HK\$770,000 (2002: 578,000))	432,584	432,458
and crediting:		
Unrealised holding gain of other investments	27	–
Gain on disposal of property, plant and equipment	<u>152</u>	<u>432</u>

Notes to the Financial Statements

For the year ended December 31, 2003

9. Finance costs

	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank loans, trust receipts and overdrafts wholly repayable within five years	4,319	5,099
Bank loans wholly repayable after five years	813	–
Other loans wholly repayable within five years	1,245	712
Other loans wholly repayable after five years	3,254	4,268
	<u>9,631</u>	<u>10,079</u>
Finance lease charges	5	24
Bank charges	673	378
	<u>10,309</u>	<u>10,481</u>

10. Net (loss) gain on disposal or liquidation of subsidiaries

	2003 HK\$'000	2002 HK\$'000
Net loss on disposal of subsidiaries	(524)	–
Net (loss) gain upon liquidation of subsidiaries	(202)	27,719
	<u>(726)</u>	<u>27,719</u>



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11. Directors' and employees' emoluments

(a) Directors' emoluments

	2003	2002
	HK\$'000	HK\$'000
Fees:		
Executive Directors	–	–
Non-executive Directors	120	170
	<u>120</u>	<u>170</u>
Other emoluments:		
Salaries and other benefits	5,342	6,529
Retirement benefits scheme contributions	24	35
	<u>5,366</u>	<u>6,564</u>
	<u>5,486</u>	<u>6,734</u>

Fees paid to non-executive Directors include HK\$100,000 (2002: HK\$140,000) paid to independent non-executive Directors.

The Directors' emoluments were within the following bands:

	2003	2002
	Number of	Number of
	Directors	Directors
HK\$		
Nil – 1,000,000	6	6
2,000,001 – 2,500,000	–	1
3,000,001 – 3,500,000	–	1
4,000,001 – 4,500,000	1	–
	<u>6</u>	<u>8</u>

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For the year ended December 31, 2003

11. Directors' and employees' emoluments (continued)

(b) Employees' emoluments

During the year, the five highest paid individuals included two Directors (2002: three Directors), details of whose emoluments are set out in note 11(a) above. The emoluments of the remaining highest paid individuals were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	4,612	2,591
Retirement benefits scheme contributions	36	24
	<u>4,648</u>	<u>2,615</u>

The emoluments of the remaining highest paid individuals fell within the following bands:

	2003 Number of employees	2002 Number of employees
HK\$ Nil – 1,000,000	1	1
1,500,001 – 2,000,000	2	1
	<u>3</u>	<u>2</u>

12. Retirement benefit scheme

The Group operates a mandatory provident fund ("MPF") scheme for all qualifying employees of its Hong Kong subsidiaries. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The retirement benefit cost charged to the profit and loss account during the year amounted to HK\$1,780,000 (2002: HK\$1,891,000), which represents contributions payable to the fund by the Group at the rates specified in the MPF Ordinance.

For subsidiaries other than in Hong Kong, the contribution payable to the defined contribution schemes by the Group at rates specified in the rules of the schemes at the relevant jurisdiction. The contributions made by subsidiaries other than in Hong Kong during the year amounted to HK\$774,000 (2002: HK\$791,000).



Notes to the Financial Statements

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13. Income tax

The charge comprises:

	2003	2002
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	330	400
Overseas income tax	226	167
	556	567
Deferred tax:		
Current year	(815)	(447)
Attributable to a change in tax rate	2,958	–
Income tax attributable to the Company and its subsidiaries	2,699	120
Share of income tax attributable to associates	–	951
	2,699	1,071

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. The Profits Tax rate was increased with effect from the year of assessment 2003/2004.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

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13. Income tax (continued)

The charge for the year can be reconciled to the (loss) profit before tax as follows:

	2003		2002	
	HK\$'000	%	HK\$'000	%
(Loss) profit before tax	(82,632)		7,519	
Tax at the Hong Kong Profits Tax rate of 17.5% (2002: 16%)	(14,461)	(17.5)	1,203	16.0
Tax effect of share of results of an associate	3,889	4.7	2,799	37.2
Tax effect of expenses that are not deductible for tax purposes	8,796	10.6	4,385	58.3
Tax effect of income that are not taxable for tax purposes	(2,976)	(3.6)	(8,488)	(112.9)
Tax effect of deferred tax assets not recognised	122	0.2	6	0.1
Utilisation of deferred tax assets previously not recognised	(178)	(0.2)	(411)	(5.4)
Tax effect of tax losses not recognised	4,643	5.6	1,874	24.9
Increase in opening deferred tax liabilities resulting from an increase in applicable tax rate	2,958	3.6	–	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	65	0.1	55	0.7
Others	(159)	(0.2)	(352)	(4.7)
Tax expense and effective tax rate for the year	2,699	3.3	1,071	14.2

14. (Loss) earnings per share

The calculation of the basic (loss) earnings per share is based on the loss attributable to shareholders of HK\$84,752,000 (2002: a profit of HK\$6,460,000) and on the weighted average number of 1,334,516,654 (2002: 787,875,389) ordinary shares in issue during the year. The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share has been adjusted for the bonus issue and the rights issue with bonus issue during the year.

No diluted (loss) earnings per share has been presented because the exercise price of the Company's outstanding share options was higher than the average market price for share for both years.

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15. Investment properties

	Investment properties in Hong Kong held under medium- term leases HK\$'000	Investment properties outside Hong Kong held under medium- term leases HK\$'000	Total HK\$'000
The Group			
At January 1, 2003	87,783	44,010	131,793
Additions	–	1,100	1,100
Disposals	–	(16,196)	(16,196)
	<u>87,783</u>	<u>28,914</u>	<u>116,697</u>
At December 31, 2003	<u>87,783</u>	<u>28,914</u>	<u>116,697</u>

The investment properties of the Group were revalued at December 31, 2003 by Centaline Surveyors Limited, independent professional valuer, on an open market value basis.

The investment properties of the Group are rented out or available for rent under operating leases.

Notes to the Financial Statements

For the year ended December 31, 2003

16. Property, plant and equipment

	Land and buildings in Hong Kong held under medium- term leases HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Machinery and tools HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
The Group						
Cost or valuation						
At January 1, 2003	210,486	19,991	50,022	8,697	8,746	297,942
Exchange difference	–	6	13	(1)	19	37
Additions	–	166	723	382	1,158	2,429
Liquidation of subsidiaries	–	(392)	(595)	–	–	(987)
Disposals	–	(104)	(392)	–	(2,246)	(2,742)
At December 31, 2003	<u>210,486</u>	<u>19,667</u>	<u>49,771</u>	<u>9,078</u>	<u>7,677</u>	<u>296,679</u>
Representing:						
At cost	198,426	19,667	49,771	9,078	7,677	284,619
At 1996 valuation	10,640	–	–	–	–	10,640
At 1999 valuation	1,420	–	–	–	–	1,420
	<u>210,486</u>	<u>19,667</u>	<u>49,771</u>	<u>9,078</u>	<u>7,677</u>	<u>296,679</u>
Accumulated depreciation						
At January 1, 2003	32,317	18,405	47,260	7,903	5,697	111,582
Exchange difference	–	6	15	(1)	15	35
Charge for the year	4,675	676	1,166	384	990	7,891
Liquidation of subsidiaries	–	(392)	(595)	–	–	(987)
Eliminated upon disposals	–	(104)	(379)	–	(1,378)	(1,861)
At December 31, 2003	<u>36,992</u>	<u>18,591</u>	<u>47,467</u>	<u>8,286</u>	<u>5,324</u>	<u>116,660</u>
Net book values						
At December 31, 2003	<u>173,494</u>	<u>1,076</u>	<u>2,304</u>	<u>792</u>	<u>2,353</u>	<u>180,019</u>
At December 31, 2002	<u>178,169</u>	<u>1,586</u>	<u>2,762</u>	<u>794</u>	<u>3,049</u>	<u>186,360</u>

Notes to the Financial Statements

For the year ended December 31, 2003

16. Property, plant and equipment (continued)

There is no asset held under finance lease at December 31, 2003.

At December 31, 2002, the net book value of the Group's furniture, fixtures and equipment included an amount of HK\$328,000 in respect of assets held under finance leases.

If the land and buildings which are stated at valuation had not been revalued, they would have been included in the financial statements at historical cost less accumulated depreciation of HK\$11,167,000 (2002: HK\$11,459,000).

The Company	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
At January 1, 2003	6,606	21,679	3,065	31,350
Additions	29	281	653	963
Disposals	–	–	(1,071)	(1,071)
	<u>6,635</u>	<u>21,960</u>	<u>2,647</u>	<u>31,242</u>
At December 31, 2003	6,635	21,960	2,647	31,242
Accumulated depreciation				
At January 1, 2003	6,451	21,415	2,033	29,899
Charge for the year	153	185	368	706
Eliminated upon disposals	–	–	(550)	(550)
	<u>6,604</u>	<u>21,600</u>	<u>1,851</u>	<u>30,055</u>
At December 31, 2003	6,604	21,600	1,851	30,055
Net book values				
At December 31, 2003	<u><u>31</u></u>	<u><u>360</u></u>	<u><u>796</u></u>	<u><u>1,187</u></u>
At December 31, 2002	<u><u>155</u></u>	<u><u>264</u></u>	<u><u>1,032</u></u>	<u><u>1,451</u></u>

Notes to the Financial Statements

For the year ended December 31, 2003

17. Investments in subsidiaries

	The Company	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	293,504	293,504
Less: Impairment loss recognised	(27,136)	–
	<u>266,368</u>	<u>293,504</u>

Particulars of the Company's principal subsidiaries at December 31, 2003 are shown in note 41. An impairment loss has been recognised to impair the investment cost of a loss-making subsidiary.

18. Interests in associates

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Share of net assets	<u>92,036</u>	<u>115,533</u>

Particulars of the Group's principal associate at December 31, 2003 are shown in note 42.



Notes to the Financial Statements

For the year ended December 31, 2003

18. Interests in associates (continued)

The following details have been extracted from the audited financial statements of the Group's associate:

	Jin Ling Electrical Company Limited	
	2003	2002
	HK\$'000	HK\$'000
Operating results		
Turnover	<u>411,055</u>	<u>458,801</u>
Loss before taxation	<u>(44,440)</u>	<u>(23,266)</u>
Loss before taxation attributable to the Group	<u>(22,220)</u>	<u>(11,633)</u>
Financial position		
Non-current assets	202,458	222,840
Current assets	272,262	351,409
Current liabilities	(290,648)	(323,103)
Non-current liabilities	-	(20,135)
Shareholders' funds	<u>184,072</u>	<u>231,011</u>
Shareholders' funds attributable to the Group	<u>92,036</u>	<u>115,506</u>

Notes to the Financial Statements

For the year ended December 31, 2003

19. Investment securities

	The Group	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	75	75
Club debentures, at cost less impairment loss	627	627
	<u>702</u>	<u>702</u>

In the opinion of the Directors, investment securities are worth at least their carrying values.

20. Inventories

	The Group	
	2003 HK\$'000	2002 HK\$'000
Finished goods	95,008	84,234
Spare parts	12,125	12,206
	<u>107,133</u>	<u>96,440</u>

Included above are finished goods of HK\$18,478,000 (2002: HK\$15,692,000) and spare parts of HK\$694,000 (2002: HK\$2,684,000), which are carried at net realisable value.

21. Trade and other receivables

The Group

The Group allows an average credit period of 30 to 90 days to its customers. The aged analysis of trade receivables is as follows:

	2003 HK\$'000	2002 HK\$'000
Within 30 days	19,922	18,608
31 to 60 days	12,073	9,503
61 to 90 days	2,716	1,289
91 days to 1 year	4,506	2,108
Over 1 year	1,185	1,370
Total trade receivables	<u>40,402</u>	<u>32,878</u>
Deposits, prepayments and other receivables	25,761	26,415
	<u>66,163</u>	<u>59,293</u>

Notes to the Financial Statements

For the year ended December 31, 2003

22. Amounts due from related parties

Details of the amounts due from related parties are as follows:

Name of related party	The Group			The Company		
	Balance	Balance	Maximum amount	Balance	Balance	Maximum amount
	at 31.12.2003	at 1.1.2003	outstanding during the year	at 31.12.2003	at 1.1.2003	outstanding during the year
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Herbert ADAMCZYK (note a)	2,082	2,082	2,082	–	–	–
B & O Web Studio Limited (note b)	3	–	3	3	–	3
Panasa (Malaysia) Sdn. Bhd. (note b)	–	248	248	–	–	–
	<u>2,085</u>	<u>2,330</u>	<u>3</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes:

- a. The amount is unsecured, bears interest at the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited and has no fixed terms of repayment.

Mr. Herbert ADAMCZYK is a Director of the Company's subsidiaries.

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

The related companies are controlled by certain Directors of the Company.

23. Other investments

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Listed shares	<u>100</u>	<u>73</u>	<u>36</u>	<u>36</u>

The shares are listed on the Stock Exchange and are carried at market value.

Notes to the Financial Statements

For the year ended December 31, 2003

24. Trade and other payables

The Group

At the balance sheet date, the aged analysis of trade payables is as follows:

	2003	2002
	HK\$'000	HK\$'000
Within 30 days	6,042	5,474
31 to 60 days	2,610	2,630
61 to 90 days	1,478	2,621
91 days to 1 year	3,349	4,167
Over 1 year	1,414	1,569
	<hr/>	<hr/>
Total trade payables	14,893	16,461
Customers' deposits, accruals and other payables	67,882	58,871
	<hr/>	<hr/>
	82,775	75,332
	<hr/> <hr/>	<hr/> <hr/>

25. Amounts due to Directors

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

26. Amounts due to related companies

The amounts are unsecured, non-interest bearing and have no fixed terms of repayment. The related companies are controlled by certain Directors of the Company.

Notes to the Financial Statements

For the year ended December 31, 2003

27. Share capital

	The Group and The Company	
	Number of shares	Nominal value HK\$'000
Authorised:		
At January 1, 2002 of HK\$0.10 each	3,500,000,000	350,000
Cancellation of HK\$0.099 of the paid up capital of each of 1,408,871,178 issued shares	–	(139,478)
Share consolidation of ten reduced issued shares into one share of HK\$0.01 each	(1,267,984,061)	–
Subdivision of one unissued share into ten shares of HK\$0.01 each	18,820,159,398	–
Share consolidation of ten issued shares into one share of HK\$0.10 each	(18,946,957,804)	–
Increase of authorised share capital	<u>1,394,782,467</u>	<u>139,478</u>
At December 31, 2002, January 1, 2003 and December 31, 2003 of HK\$0.10 each	<u><u>3,500,000,000</u></u>	<u><u>350,000</u></u>
Issued and fully paid:		
At January 1, 2002 of HK\$0.10 each	1,408,871,178	140,887
Cancellation of HK\$0.099 of the paid up capital of each of 1,408,871,178 issued shares	–	(139,478)
Share consolidation of ten reduced issued shares into one share of HK\$0.01 each	(1,267,984,061)	–
Issue of shares upon rights issue	140,887,117	1,409
Issue of shares upon bonus share issue	422,661,351	4,226
Share consolidation of ten issued shares into one share of HK\$0.10 each	(633,992,027)	–
Issue of shares upon bonus share issue	<u>704,435,580</u>	<u>70,444</u>
At December 31, 2002 and January 1, 2003 of HK\$0.10 each	774,879,138	77,488
Issue of shares upon bonus share issue	77,487,913	7,749
Issue of shares upon rights issue	340,946,820	34,094
Issue of shares upon bonus share issue	<u>1,022,840,460</u>	<u>102,284</u>
At December 31, 2003 of HK\$0.10 each	<u><u>2,216,154,331</u></u>	<u><u>221,615</u></u>

Notes to the Financial Statements

For the year ended December 31, 2003

27. Share capital (continued)

- (1) Pursuant to a resolution passed on the Special General Meeting ("SGM") held on May 6, 2003, a bonus share was issued for every ten shares. 77,487,913 bonus shares were issued and were credited as fully paid by using the credit in the contributed surplus account of the Company.
- (2) Pursuant to another resolution passed on the SGM held on September 1, 2003, a rights issue of not less than 340,946,820 shares of HK\$0.10 each at HK\$0.10 per share on the basis of two rights shares for five rights shares held on the record date with bonus share issue on the basis of three bonus shares for every rights share taken up payable in full on acceptance. The Group had use the net proceeds from rights issue of approximately HK\$19,633,000 to set off loans advanced from a Director and a related company directly. The remaining balance of HK\$14,461,000 (before expenses) was used to repay part of the bank overdrafts of the Group and to provide additional working capital of the Group.

28. Reserves

The Company

	Capital				Total
	Share premium	redemption reserve	Contributed surplus	Accumulated losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At January 1, 2002	725,993	916	210,255	(792,437)	144,727
Capital reorganisation on March 15, 2002	(343,542)	–	–	483,020	139,478
Rights issue of shares on April 11, 2002	47,902	–	–	–	47,902
Bonus issue of shares on April 11, 2002	(4,226)	–	–	–	(4,226)
Capital reorganisation on September 18, 2002	(426,127)	–	331,713	94,414	–
Bonus issue of shares on September 24, 2002	–	–	(70,444)	–	(70,444)
Profit attributable to shareholders	–	–	–	9,963	9,963
At December 31, 2002 and January 1, 2003	–	916	471,524	(205,040)	267,400
Bonus issue of shares on May 6, 2003	–	–	(7,749)	–	(7,749)
Rights issue and bonus issue of shares on September 1, 2003	–	–	(102,284)	–	(102,284)
Loss attributable to shareholders	–	–	–	(117,717)	(117,717)
At December 31, 2003	–	916	361,491	(322,757)	39,650

Notes to the Financial Statements

For the year ended December 31, 2003

28. Reserves (continued)

The Company (continued)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of Directors, as at December 31, 2003, the Company have distributable reserves by considering the net balance of reserve available for distribution of HK\$38,734,000 (2002: HK\$266,484,000), including contributed surplus of HK\$361,491,000 (2002: HK\$471,524,000) and accumulated losses of HK\$322,757,000 (2002: HK\$205,040,000).

29. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The Group				
Amounts payable under finance leases:				
Within one year	–	110	–	92
In the second to fifth year inclusive	–	354	–	300
	–	464	–	392
Less: future finance charges	–	(72)	–	N/A
Present value of lease obligations	–	392	–	392
Analysed as:				
Amounts due within one year shown under current liabilities			–	92
Amounts due after one year			–	300
			–	392

Notes to the Financial Statements

For the year ended December 31, 2003

29. Obligations under finance leases (continued)

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The Company				
Amounts payable under finance leases:				
Within one year	–	14	–	10
In the second to fifth year inclusive	–	–	–	–
	–	14	–	10
Less: future finance charges	–	(4)	–	N/A
Present value of lease obligations	–	10	–	10

There were no obligations under finance leases as at December 31, 2003.

For the year ended December 31, 2002, the average effective borrowing rate was approximately 6% per annum. Interest rates were fixed at the contract dates. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments. The Group's obligations under finance leases as at December 31, 2002 were secured by the lessor's charge over the leased assets.

Notes to the Financial Statements

For the year ended December 31, 2003

30. Borrowings

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank overdrafts	14,297	12,772	–	–
Bank loans	75,708	64,279	–	–
	90,005	77,051	–	–
Secured	80,868	75,214	–	–
Unsecured	9,137	1,837	–	–
	90,005	77,051	–	–
Unsecured loan advanced from a Director (note a)	–	15,725	–	12,000
Unsecured loans advanced from related companies (note b)	–	4,755	–	–
Secured loan advanced from a supplier (note c)	130,108	130,715	–	–
	220,113	228,246	–	12,000
The maturity of the above loans is as follows:				
Within one year	76,754	74,296	–	12,000
More than one year, but not exceeding two years	3,574	10,924	–	–
More than two years, but not exceeding five years	5,868	6,779	–	–
More than five years	133,917	136,247	–	–
	220,113	228,246	–	12,000
Less: Amounts due within one year shown under current liabilities	(76,754)	(74,296)	–	(12,000)
Amounts due after one year	143,359	153,950	–	–

Notes to the Financial Statements

For the year ended December 31, 2003

30. Borrowings (continued)

Notes:

- a. The loan advanced from a Director was unsecured and had no fixed terms of repayment. HK\$12,000,000 of the balance bore interest at 10% per annum and the remaining balance was non-interest bearing. The amount of HK\$12,000,000 was settled during the year by applying the proceeds from the rights issue of the Company. The remaining balance was assigned to a related company during the year.
- b. The loans advanced from related companies were unsecured and had no fixed terms of repayment. HK\$4,475,000 bore interest at 1% above the best lending rate. The remaining balance was non-interest bearing. The amount of HK\$4,475,000 was settled during the year by applying the proceeds from the rights issue of the Company. The remaining balance was fully repaid during the year.

The related companies are controlled by certain Directors of the Company.

- c. The loan advanced from a supplier is secured by properties of the Group, bears interest at 2.5% per annum and is repayable semi-annually by ten instalments commencing from 30 June 2012.

31. Loans advanced from minority shareholders

The loans are unsecured, non-interest bearing and have no fixed terms of repayment. The minority shareholders have agreed not to demand repayment of the loans in the next twelve months from the balance sheet date and, accordingly, the amounts have been classified as non-current liability.

32. Deferred tax liabilities

The Group	Properties	Accelerated tax depreciation	Total
	HK\$'000	HK\$'000	HK\$'000
At January 1, 2002			
– as previously reported	–	13	13
– adjustment on adoption of SSAP 12 (Revised)	7,761	24,239	32,000
	<hr/>	<hr/>	<hr/>
– as restated	7,761	24,252	32,013
Credit to income for the year	(198)	(249)	(447)
	<hr/>	<hr/>	<hr/>
At December 31, 2002 and January 1, 2003	7,563	24,003	31,566
Credit to income for the year	(217)	(598)	(815)
Effect of a change in tax rate charged to profit and loss account	709	2,249	2,958
	<hr/>	<hr/>	<hr/>
At December 31, 2003	<u>8,055</u>	<u>25,654</u>	<u>33,709</u>

Notes to the Financial Statements

For the year ended December 31, 2003

32. Deferred tax liabilities (continued)

The "Properties" column represents the deferred tax liabilities arising from business combination.

As at the balance sheet date, the Group has unused tax losses of approximately HK\$175,125,000 (2002: HK\$148,591,000) available to offset future profits. No deferred tax assets has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

33. Disposal of subsidiaries

A summary of the effects of disposal of subsidiaries is as follows:

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of:		
Property held for sale, at net realisable value	2,745	–
Investment securities	–	160
Trade and other payables	(14)	–
	2,731	160
Loss on disposal of subsidiaries	(524)	–
Total consideration	<u>2,207</u>	<u>160</u>
Satisfied by:		
Cash	<u>2,207</u>	<u>160</u>
Net cash inflow arising on disposal:		
Cash consideration	<u>2,207</u>	<u>160</u>

The subsidiaries disposed of for both years did not have any significant impact on the Group's cash flows, turnover and operating results.

Notes to the Financial Statements

For the year ended December 31, 2003

34. Liquidation of subsidiaries

A summary of the effects of liquidation of subsidiaries is as follows:

	2003	2002
	HK\$'000	HK\$'000
Net assets written off:		
Investment securities	–	529
Inventories	–	48
Trade and other receivables	229	6,269
Trade and other payables	–	(25,041)
Bills payable	–	(738)
Taxation payable	–	(168)
Obligations under finance leases	–	(81)
Borrowings	–	(6,071)
	229	(25,253)
Exchange reserve realised on liquidation	(201)	(1,032)
Goodwill realised on liquidation	174	–
Capital reserve realised on liquidation	–	(1,434)
Loss (gain) upon liquidation	202	(27,719)

The effects on the cash flows and results of the Group upon liquidation of the subsidiaries during the year are insignificant.

35. Major non-cash transactions

During the year, the Group has used the proceeds from rights issue of the Company to offset the loan advanced from a Director, loan advanced from a related company, and amount due to a related company amounted to HK\$19,633,000 directly.

During the year ended December 31, 2002, the Group had applied the proceeds from disposal of the Group's entire equity interest in an associate to offset part of the loan advanced from a supplier amounted to HK\$71,837,000.

Notes to the Financial Statements

For the year ended December 31, 2003

36. Related party transactions

In addition to the balances with related parties disclosed under notes 22, 25, 26, 30 and 31 above, during the year, the Group entered into the following transactions with related parties:

	2003	2002
	HK\$'000	HK\$'000
Interest expenses paid to a Director	1,053	295
Interest expenses paid to a related company	192	417
Interest income received from a related party	106	74
Management and agency fee paid to a related company	3,378	3,359
Sales of goods to a Director	4,958	–
Underwriting commission fees paid to a related company	234	–
Sales of goods to a related company	–	950
Maintenance service income received from a related company	–	454
	<u> </u>	<u> </u>

The interest expense paid to a Director was agreed between the relevant parties. The interest rates are 10% per annum.

The interest expense paid to a related company was 1% above the besting lending rate. The interest income received from a related party borne interest at the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited.

The pricing of transactions regarding management and agency fees paid to a related company and goods sold to a related company or a Director were determined by the Directors on the basis of estimated market value.

The underwriting commission fees paid to a related company was 2.5% of the total issue price of the rights share underwritten by the related company.

The related companies are controlled by certain Directors of the Company.

Notes to the Financial Statements

For the year ended December 31, 2003

37. Operating lease arrangements

The Group as lessor

Property rental income earned, net of outgoings of HK\$4,733,000 (2002: HK\$4,472,000) during the year was HK\$6,492,000 (2002: HK\$7,143,000). The property held has committed tenants for the next two years.

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

	2003 HK\$'000	2002 HK\$'000
Within one year	5,338	10,316
In the second to fifth year inclusive	2,218	3,733
	<u>7,556</u>	<u>14,049</u>

The Group as lessee

	2003 HK\$'000	2002 HK\$'000
Minimum lease payments under operating leases recognised in the profit and loss account for the year	<u>10,586</u>	<u>9,396</u>

At the balance sheet date, the Group had commitments under non-cancellable operating leases, which fall due as follows:

	2003 HK\$'000	2002 HK\$'000
Within one year	5,428	6,422
In the second to fifth year inclusive	2,369	2,160
	<u>7,797</u>	<u>8,582</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of two years and rentals are fixed for an average of one year.

At the balance sheet date, the Company had no commitments under non-cancellable operating leases (2002: Nil).

Notes to the Financial Statements

For the year ended December 31, 2003

38. Contingent liabilities

At the balance sheet date, the Group and the Company had the following outstanding contingent liabilities which are not provided for in the financial statements in respect of:

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees given for banking and other facilities made available to subsidiaries	–	–	165,430	158,822
Other guarantees issued for subsidiaries	–	–	138,909	3,120
	<u>–</u>	<u>–</u>	<u>304,339</u>	<u>161,942</u>

39. Pledge of assets

At the balance sheet date, certain of the Group's land and buildings of approximately HK\$173,494,000 (2002: HK\$178,169,000), investment properties of approximately HK\$87,783,000 (2002: HK\$87,783,000) and properties held for sale of approximately HK\$60,963,000 (2002: HK\$84,000,000), inventories stated at lower of cost or net realisable value amounting HK\$4,663,000 (2002: HK\$Nil) and all assets of a subsidiary of HK\$15,095,000 (2002: HK\$12,617,000) have been pledged to secure facilities granted by banks and a supplier to the Group.

40. Share option schemes

1991 Scheme

The Company's share option scheme was adopted on June 22, 1991 ("1991 Scheme") for the primary purpose of providing incentives to Directors and eligible employees and expired on June 21, 2001. The Directors may, at their discretion, grant options to all eligible employees, including executive Directors of the Company and its subsidiaries.

The total number of shares in respect of which options may be granted under the 1991 Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the maximum aggregate number of shares of the Company for the time being issued and issuable under the 1991 Scheme.

Notes to the Financial Statements

For the year ended December 31, 2003

40. Share option schemes *(continued)*

1991 Scheme *(continued)*

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per grant. Options are exercisable within a period of 6 years commencing one month from the date of acceptance of options.

The subscription price is determined by the Directors, and will not be less than the higher of a price being not less than 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 grant, and the nominal value of a share of the Company.

2001 Scheme

Another share option scheme ("2001 Scheme") was subsequently adopted pursuant to a resolution passed on June 28, 2001 for the primary purpose of providing incentives to Directors and eligible employees, and was terminated on May 30, 2002 pursuant to a resolution passed on that date.

Under the 2001 Scheme, the Directors may grant options to any full-time employees, including executive and non-executive Directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the 2001 Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the maximum aggregate number of shares of the Company for the time being issued and issuable under the 2001 Scheme.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per grant. Options are exercisable within a period of 6 years commencing one month from the date of acceptance of options.

The subscription price is determined by the Directors, and will not be less than the higher of a price being not less than 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 grant, and the nominal value of a share of the Company.

Upon termination of the 2001 Scheme, no further options will be granted but in all other respects, the provisions of the 2001 Scheme shall remain in force and all granted prior to such termination shall continue to be valid and exercisable in accordance therewith.



Notes to the Financial Statements

For the year ended December 31, 2003

40. Share option schemes (continued)

2002 Scheme

On August 23, 2001, the Stock Exchange has announced amendments to Chapter 17 of the Listing Rules, which has come into effect on September 1, 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the Company adopted a new share option scheme ("2002 Scheme") and terminated the 2001 Scheme on May 30, 2002 pursuant to a resolution passed on that date. The purpose of the 2002 Scheme is to provide incentives or rewards to participants for their contribution to the Group and enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any companies in which the Group holds any equity interest. The 2002 Scheme will expire on the 10th anniversary of date of adoption.

Under the 2002 Scheme, the Board of Directors of the Company may at their discretion grant options to the following participants of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

1. eligible employees, including Directors; or
2. suppliers or customers; or
3. any person or entity that provides research, development or other technological support; or
4. shareholders; or
5. employees, partners or Directors of any business partners, joint venture partners, financial advisers and legal advisers

Options granted to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the Independent Non-executive Directors of the Company (excluding any Independent Non-executive Director who is the grantee).

The total number of shares in respect of which options may be granted under the 2002 Scheme and any other schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time. Subject to the above rule, the total number of shares in respect of which options may be granted under the 2002 Scheme and any other schemes must not in aggregate, exceed 10% of the issued share capital of the Company at the adoption date of the 2002 Scheme without prior approval from the Company's shareholders.

Notes to the Financial Statements

For the year ended December 31, 2003

40. Share option schemes *(continued)*

2002 Scheme *(continued)*

The number of shares in respect of which options may be granted to any participant in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a substantial shareholder, or an Independent Non-executive Director of the Company, or any of their respective associates under the 2002 Scheme and any other schemes in any one year in excess of 0.1% of the Company's issued share capital or with a value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant upon payment of HK\$1 per each grant of options. The exercise period of the share options granted under the 2002 Scheme shall be determined by the Board of Directors when such options are granted, provided that such period shall not end later than 6 years from the date of grant. The subscription price is determined by the Board of Directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, or the average closing price of the shares for the five trading days immediately preceding the date of grant, or the nominal value of a share of the Company.

At December 31, 2003, the number of shares in respect of which options had been granted and remained outstanding under the 1991 Scheme, 2001 Scheme and 2002 Scheme were 91,247,671, 175,092,363 and 129,117,007 (2002: 47,984,001, 61,331,127 and 46,795,481 respectively, before adjustments for bonus issue and right issue), representing 4.1%, 7.9% and 5.8% (2002: 6.2%, 7.9% and 6.0% respectively) of the issued share capital of the Company at that date respectively.

Notes to the Financial Statements

For the year ended December 31, 2003

40. Share option schemes (continued)

The following table discloses details of the Company's share options held by employees (including Directors) and movements in such holdings during the year:

Scheme type	Date of grant	Outstanding at January 1, 2003		Lapsed during the period	Outstanding at June 30, 2003	
		Before adjustment	After adjustment(b)		Before adjustment	After adjustment(c)
1991	July 28, 1997	15,951,594	17,546,751	17,546,751 (g)	-	-
1991	January 19, 1998	4,305,815	4,736,391	18,151	4,718,240	12,267,415
1991	June 10, 1998	550,055	605,060	-	605,060	1,573,156
1991	December 21, 1999	8,150,137	8,965,145	27,831	8,937,314	23,237,007
1991	February 11, 2000	4,031,901	4,435,088	-	4,435,088	11,531,229
1991	September 8, 2000	1,650,165	1,815,182	-	1,815,182	4,719,470
1991	January 18, 2001	143,014	157,315	-	157,315	409,019
1991	May 28, 2001	13,201,320	14,521,452	-	14,521,452	37,755,775
2001	August 10, 2001	58,305,830	64,136,411	-	64,136,411	166,754,668
2001	August 29, 2001	2,475,242	2,722,759	-	2,722,759	7,079,170
2001	November 23, 2001	550,055	605,060	-	605,060	1,573,156
2002	June 4, 2002	29,867,981	32,854,769	-	32,854,769	85,422,395
2002	September 24, 2002	16,928,000	18,620,800	-	18,620,800	48,414,080
Grand Total:		<u>156,111,109</u>	<u>171,722,183</u>	<u>17,592,733</u>	<u>154,129,450</u>	<u>400,736,540</u>

Notes to the Financial Statements

For the year ended December 31, 2003

Lapsed during the period	Outstanding at December 31, 2003	Exercisable period	Exercise price		
			Before adjustment HK\$	After adjustment(b) HK\$	After adjustment(c) HK\$
–	–	August 28, 1997 – September 10, 2003	1.5858	1.4416	0.8855
141,577	12,125,838	February 19, 1998 – March 12, 2004	0.6546	0.5951	0.3655
–	1,573,156	July 24, 1998 – July 23, 2004	0.3132	0.2847	0.1749
103,823	23,133,184	February 1, 2000 – March 21, 2006	0.4165	0.3786	0.2326
–	11,531,229	March 18, 2000 – March 21, 2006	0.9711	0.8828	0.5422
–	4,719,470	November 5, 2000 – November 4, 2006	0.4204	0.3822	0.2347
–	409,019	March 6, 2001 – March 14, 2007	0.2975	0.2705	0.1661
–	37,755,775	June 29, 2001 – June 29, 2007	0.2975	0.2705	0.1661
–	166,754,668	September 14, 2001 – September 18, 2007	0.2975	0.2705	0.1661
314,631	6,764,539	September 30, 2001 – September 30, 2007	0.2975	0.2705	0.1661
–	1,573,156	December 23, 2001 – December 22, 2007	0.2975	0.2705	0.1661
4,719,468	80,702,927	June 4, 2002 – June 3, 2008	0.1440	0.1309	0.1000
–	48,414,080	September 24, 2002 – September 23, 2008	0.1000	0.1000	0.1000
<u>5,279,499</u>	<u>395,457,041</u>				

Notes to the Financial Statements

For the year ended December 31, 2003

40. Share option schemes (continued)

Scheme type	Date of grant	Outstanding at January 1, 2002		Granted on June 4, 2002	Lapsed during the period	Outstanding at June 30, 2002	
		Before adjustment	After adjustment(d)			Before adjustment	After adjustment(e)
1991	May 13, 1996	11,318,400	5,659,200	–	5,659,200	–	–
1991	July 28, 1997	30,000,000	15,000,000	–	500,000	14,500,000	15,951,594
1991	January 19, 1998	8,314,000	4,157,000	–	223,000	3,934,000	4,327,817
1991	June 10, 1998	1,000,000	500,000	–	–	500,000	550,055
1991	December 21, 1999	15,348,000	7,674,000	–	252,500	7,421,500	8,164,437
1991	February 11, 2000	8,330,000	4,165,000	–	500,000	3,665,000	4,031,901
1991	September 8, 2000	3,000,000	1,500,000	–	–	1,500,000	1,650,165
1991	January 18, 2001	460,000	230,000	–	100,000	130,000	143,014
1991	May 28, 2001	24,000,000	12,000,000	–	–	12,000,000	13,201,320
2001	August 10, 2001	106,000,000	53,000,000	–	–	53,000,000	58,305,830
2001	August 29, 2001	4,700,000	2,350,000	–	100,000	2,250,000	2,475,242
2001	November 23, 2001	1,000,000	500,000	–	–	500,000	550,055
2002	June 4, 2002	–	–	27,150,000	–	27,150,000	29,867,981
2002	September 24, 2002	–	–	–	–	–	–
Grand Total:		<u>213,470,400</u>	<u>106,735,200</u>	<u>27,150,000</u>	<u>7,334,700</u>	<u>126,550,500</u>	<u>139,219,411</u>



Notes to the Financial Statements

For the year ended December 31, 2003

Granted on September 24, 2002	Reallocation during the period	Lapsed during the period	Outstanding at December 31, 2002	Exercisable period	Exercise price		
					Before adjustment	After adjustment(d)	After adjustment(e)
					HK\$	HK\$	HK\$
-	-	-	-	June 13, 1996 – June 30, 2002	0.9460	3.0963	-
-	-	-	15,951,594	August 28, 1997 – September 10, 2003	0.5330	1.7445	1.5858
-	-	22,002	4,305,815	February 19, 1998 – March 12, 2004	0.2200	0.7201	0.6546
-	-	-	550,055	July 24, 1998 – July 23, 2004	0.1053	0.3446	0.3132
-	-	14,300	8,150,137	February 1, 2000 – March 21, 2006	0.1400	0.4582	0.4165
-	-	-	4,031,901	March 18, 2000 – March 21, 2006	0.3264	1.0683	0.9711
-	-	-	1,650,165	November 5, 2000 – November 4, 2006	0.1413	0.4625	0.4204
-	-	-	143,014	March 6, 2001 – March 14, 2007	0.1000	0.3273	0.2975
-	-	-	13,201,320	June 29, 2001 – June 29, 2007	0.1000	0.3273	0.2975
-	-	-	58,305,830	September 14, 2001 – September 18, 2007	0.1000	0.3273	0.2975
-	-	-	2,475,242	September 30, 2001 – September 30, 2007	0.1000	0.3273	0.2975
-	-	-	550,055	December 23, 2001 – December 22, 2007	0.1000	0.3273	0.2975
-	-	-	29,867,981	June 4, 2002 – June 3, 2008	-	0.1584	0.1440
16,928,000	-	-	16,928,000	September 24, 2002 – September 23, 2008	-	-	0.1000
<u>16,928,000</u>	<u>-</u>	<u>36,302</u>	<u>156,111,109</u>				

Notes to the Financial Statements

For the year ended December 31, 2003

40. Share option schemes (continued)

Details of the share options held by the Directors included in the above table are as follows:

Scheme type	Date of grant	Outstanding at January 1, 2003		Lapsed during the period	Outstanding at June 30, 2003	
		Before adjustment	After adjustment(b)		Before adjustment	After adjustment(c)
1991	July 28, 1997	14,851,484 (a)	16,336,630 (a)	16,336,630 (g)	-	-
1991	January 19, 1998	3,355,335 (a)	3,690,867 (a)	-	3,690,867 (a)	9,596,253 (a)
1991	June 10, 1998	550,055	605,060	-	605,060	1,573,156
1991	December 21, 1999	7,425,741 (a)	8,168,313 (a)	-	8,168,313 (a)	21,237,613 (a)
1991	February 11, 2000	3,850,384	4,235,421	-	4,235,421	11,012,093
1991	January 18, 2001	143,014	157,315	-	157,315	409,019
1991	May 28, 2001	2,200,220	2,420,242	-	2,420,242	6,292,629
2001	August 10, 2001	39,053,905	42,959,294	-	42,959,294	111,694,164
2001	August 29, 2001	550,054 (a)	605,058 (a)	-	605,058 (a)	1,573,150 (a)
2002	June 4, 2002	4,840,484	5,324,531	-	5,324,531	13,843,779
2002	September 24, 2002	9,180,000	10,098,000	-	10,098,000	26,254,800
Grand Total:		<u>86,000,676</u>	<u>94,600,731</u>	<u>16,336,630</u>	<u>78,264,101</u>	<u>203,486,656</u>



Notes to the Financial Statements

For the year ended December 31, 2003

Outstanding at December 31, 2003	Exercisable period	Exercise price		
		Before adjustment	After adjustment(b)	After adjustment(c)
		HK\$	HK\$	HK\$
–	August 28, 1997 – August 30, 2003	1.5858	1.4416	0.8855
9,596,253 (a)	February 19, 1998 – February 21, 2004	0.6546	0.5951	0.3655
1,573,156	July 24, 1998 – July 23, 2004	0.3132	0.2847	0.1749
21,237,613	February 6, 2000 – February 10, 2006	0.4165	0.3786	0.2326
11,012,093 (a)	March 18, 2000 – March 21, 2006	0.9711	0.8828	0.5422
409,019	March 6, 2001 – March 5, 2007	0.2975	0.2705	0.1661
6,292,629	June 29, 2001 – June 29, 2007	0.2975	0.2705	0.1661
111,694,164	September 14, 2001 – September 18, 2007	0.2975	0.2705	0.1661
1,573,150 (a)	September 30, 2001 – September 29, 2007	0.2975	0.2705	0.1661
13,843,779	June 4, 2002 – June 3, 2008	0.1440	0.1309	0.1000
26,254,800	September 24, 2002 – September 23, 2008	0.1000	0.1000	0.1000
<u>203,486,656</u>				

Notes to the Financial Statements

For the year ended December 31, 2003

40. Share option schemes (continued)

Scheme type	Date of grant	Outstanding at January 1, 2002		Granted on June 4, 2002	Lapsed during the period	Outstanding at June 30, 2002	
		Before adjustment	After adjustment(d)			Before adjustment	After adjustment(e)
1991	May 13, 1996	6,120,000	3,060,000	-	3,060,000	-	-
1991	July 28, 1997	27,000,000 (a)	13,500,000 (a)	-	-	13,500,000 (a)	14,851,484 (a)
1991	January 19, 1998	6,100,000 (a)	3,050,000 (a)	-	-	3,050,000 (a)	3,355,335 (a)
1991	June 10, 1998	1,000,000	500,000	-	-	500,000	550,055
1991	December 21, 1999	13,500,000 (a)	6,750,000 (a)	-	-	6,750,000 (a)	7,425,741 (a)
1991	February 11, 2000	7,000,000	3,500,000	-	-	3,500,000	3,850,384
1991	January 18, 2001	260,000	130,000	-	-	130,000	143,014
1991	May 28, 2001	24,000,000	12,000,000	-	-	12,000,000	13,201,320
2001	August 10, 2001	106,000,000	53,000,000	-	-	53,000,000	58,305,830
2001	August 29, 2001	1,000,000 (a)	500,000 (a)	-	-	500,000 (a)	550,054 (a)
2002	June 4, 2002	-	-	4,400,000	-	4,400,000	4,840,484
2002	September 24, 2002	-	-	-	-	-	-
Grand Total:		<u>191,980,000</u>	<u>95,990,000</u>	<u>4,400,000</u>	<u>3,060,000</u>	<u>97,330,000</u>	<u>107,073,701</u>

- (a) Share options granted to Mr. Richard Man Fai LEE's spouse were included. Mr. Richard Man Fai LEE is a director of the Company.
- (b) The number of share options granted under 1991, 2001 and 2002 Schemes and their respective subscription price have been adjusted for the bonus issue taken place in May 2003.
- (c) The number of share options granted under 1991, 2001 and 2002 Schemes and their respective subscription price have been adjusted for the rights issue with the bonus share issue taken place in September 2003.
- (d) The number of share options granted under 1991 and 2001 Schemes and their respective subscription prices have been adjusted for the capital reorganisation and the rights issue with the bonus share issue taken place in March and April 2002 respectively.

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For the year ended December 31, 2003

Granted on September 24, 2002	Reallocation during the period	Lapsed during the period	Outstanding at December 31, 2002	Exercisable period	Exercise price		
					Before adjustment	After adjustment(d)	After adjustment(e)
					HK\$	HK\$	HK\$
-	-	-	-	June 13, 1996 – June 16, 2002	0.9460	3.0963	-
-	-	-	14,851,484 (a)	August 28, 1997 – August 30, 2003	0.5330	1.7445	1.5858
-	-	-	3,355,335 (a)	February 19, 1998 – February 21, 2004	0.2200	0.7201	0.6546
-	-	-	550,055	July 24, 1998 – July 23, 2004	0.1053	0.3446	0.3132
-	-	-	7,425,741 (a)	February 6, 2000 – February 10, 2006	0.1400	0.4582	0.4165
-	-	-	3,850,384	March 18, 2000 – March 21, 2006	0.3264	1.0683	0.9711
-	-	-	143,014	March 6, 2001 – March 5, 2007	0.1000	0.3273	0.2975
-	(11,001,100) (f)	-	2,200,220	June 29, 2001 – June 29, 2007	0.1000	0.3273	0.2975
-	(19,251,925) (f)	-	39,053,905	September 14, 2001 – September 18, 2007	0.1000	0.3273	0.2975
-	-	-	550,054 (a)	September 30, 2001 – September 29, 2007	0.1000	0.3273	0.2975
-	-	-	4,840,484	June 4, 2002 – June 3, 2008	-	0.1584	0.1440
16,928,000	(7,748,000) (f)	-	9,180,000	September 24, 2002 – September 23, 2008	-	-	0.1000
<u>16,928,000</u>	<u>(38,001,025)</u>	<u>-</u>	<u>86,000,676</u>				

(e) The number of share options granted under 1991, 2002 and 2003 Schemes and their respective subscription prices have been adjusted for the capital reorganisation and the bonus share issue taken place in September 2002.

(f) Mr. Barry John BUTIFANT was an executive director of the Company and resigned on November 7, 2002. The share options granted to him before his resignation were therefore reallocated to Share Options granted to "Continuous contract employees".

(g) The share options expired before the rights issues taken place in September 2003.

In 2003, no consideration was received during the year from employees (including Directors) for taking up the options granted (2002: HK\$37).

No charge is recognised in the profit and loss account in respect of the value of options granted in 2002 and 2003.



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41. Principal subsidiaries

Particulars of the Company's principal subsidiaries at December 31, 2003 are as follows:

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Direct subsidiary				
Wo Kee Hong (B.V.I.) Limited	British Virgin Islands	100.0	30,000 shares of US\$0.01 each	Investment holding
Indirect subsidiaries				
Auto Italia Limited	Hong Kong	86.0	10,000 shares of HK\$10 each	Trading of cars and related accessories and provision of car repairing services
Bodyworld International (B.V.I.) Ltd.	British Virgin Islands	100.0	1 share of US\$1 each	Trading brand holding
Cliven Pte Ltd	Singapore	100.0	10 ordinary shares of S\$1 each	Investment holding
Corich Enterprises Inc.	British Virgin Islands	100.0	100 shares of US\$1 each	Investment holding
East Wood Offshore Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1	Property investment
Eight Wonders Company Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1	Property investment



Notes to the Financial Statements

For the year ended December 31, 2003

41. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Indirect subsidiaries (continued)				
Elbright Limited	Hong Kong	100.0	2 shares of HK\$1 each	Property leasing agent
Ever Rising Investments Limited	Hong Kong	100.0	2 shares of HK\$1 each	Property investment
Flying Colours Company Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Full Moon Overseas Limited	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Haverest Moon Holdings Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Italian Motors (Sales & Service) Limited	Hong Kong	86.0	60,000 shares of HK\$10 each	Trading of cars and related accessories and provision of car repairing services
Jacobean Co. Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Locomotion Enterprises Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment

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41. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Indirect subsidiaries (continued)				
Macau Wo Kee Hong Import & Export Limited	Macau	100.0	MOP10,000	Trading of audio-visual equipment, air-conditioning and refrigeration products and providing repairs and maintenance services for air-conditioning equipment and electronic appliances
Maiden Pink Limited	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Martview Limited	Hong Kong	100.0	2 shares of HK\$1 each	Property holding
Mega Warehouse Company Limited	Hong Kong	100.0	2 shares of HK\$1 each	Trading brand holding
Mega Warehouse (Hong Kong) Limited	Hong Kong	100.0	1,000,000 shares of HK\$1 each	Warehouse stores operation
Metro Global Limited	Hong Kong	100.0	2 non voting deferred shares of HK\$1 each and 1,000 ordinary shares of HK\$1 each	Investment holding



Notes to the Financial Statements

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41. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Indirect subsidiaries (continued)				
Midtown Company Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Most Advance International Ltd.	British Virgin Islands	100.0	1 share of US\$1 each	Investment holding
New Castle Development Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Number One Enterprises Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Rising Sun Development Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Riverlily Enterprises Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Rogers International Limited	Bahamas	100.0	2 shares of US\$1 each	Trading brand holding
Shinwa Engineering Company, Limited	Hong Kong	100.0	5,000,000 non-voting deferred shares of HK\$1 each and 2 ordinary shares of HK\$1 each	Investment holding

Notes to the Financial Statements

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41. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Indirect subsidiaries (continued)				
Sincere Overseas Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Skyline Trading Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Stoneycroft Estates Limited	Hong Kong	100.0	20,000,000 non-voting deferred shares of HK\$1 each and 1,000 ordinary shares of HK\$1 each	Property investment
Technorient Limited	Hong Kong	86.0	261,687 shares of HK\$100 each	Investment holding
Waterfront Company Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Wo Kee Hong Distribution Pte Ltd	Singapore	100.0	4,500,000 ordinary shares of S\$1 each	Distribution of home audio and car audio equipment and accessories
Wo Kee Hong Electronics Sdn. Bhd.	Malaysia	100.0	1,000,000 ordinary shares of M\$1 each	Distribution of audio-visual equipment

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41. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Indirect subsidiaries (continued)				
Wo Kee Hong Finance Limited	Hong Kong	100.0	2 shares of HK\$1 each	Finance and money lending
Wo Kee Hong Limited	Hong Kong	100.0	10,000 non-voting deferred shares of HK\$1,000 each and 2 ordinary shares of HK\$1,000 each	Investment holding and distribution of audio-visual equipment, car audio and electronic products, air-conditioning and refrigeration products, electrical appliances and electronic appliances
Wo Kee Hong Professional Air Conditioning Pte Ltd	Singapore	93.5	5,000,000 shares of S\$1 each	Distribution of air-conditioning products
Wo Kee Hong Trading Sdn. Bhd. (formerly known as Wo Kee Hong Professional Air Conditioning Sdn. Bhd.)	Malaysia	100.0	4,200,000 ordinary shares of M\$1 each	Distribution and installation of air-conditioning products
Wo Kee Joyful Limited	Hong Kong	100.0	2,000,000 shares of HK\$1 each	Company secretarial service
Wo Kee Services Limited	Hong Kong	100.0	2 non-voting deferred shares of HK\$100 each and 19,998 ordinary shares of HK\$100 each	Provision of warehousing, delivery, repairs and maintenance services

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41. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Indirect subsidiaries (continued)				
東莞市先和亞太 電器有限公司 (limited liability company)	PRC	100.0	Registered and fully paid capital of RMB1,000,000	Distribution of air-conditioning, electrical and electronic products
東莞市先和制冷 設備有限公司 (limited liability company)	PRC	100.0	Registered and fully paid capital of RMB500,000	Sales and production of air-conditioning electrical and electronic products and parts, and provision of repairs and maintenance services of air-conditioning, electrical and electronic products
東莞長興制冷設備 有限公司 (joint venture (HK capital))	PRC	92.0	Registered capital of HK\$30,000,000 paid-up capital of HK\$14,800,000	Production and sales of heat exchanger

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.



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42. Associate

Particulars of the Group's associate at December 31, 2003 are as follows:-

Name of associate	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Jin Ling Electrical Company Limited	PRC	50.0	Registered and fully paid capital of RMB263,500,000	Manufacturing and trading of washing machines