

# Notes to the Financial Statements

For the year ended 31 December 2003

## 1. GENERAL

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

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

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

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

Adoption of these standards has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised standards have introduced additional and revised disclosure requirements and have been adopted in these financial statements. Further details of the effect on adopting these new and revised standards are as follows:

### *SSAP 12 (Revised) “Income Taxes”*

The principal effect of the implementation of SSAP 12 (Revised) “Income Taxes” (“SSAP 12 (Revised)”) is in relation to deferred tax. 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 basis 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 is applied retrospectively. The adoption of SSAP 12 (Revised) has no material effect on the Group’s results for the current or prior accounting periods other than presentation changes. Accordingly, no prior period adjustment is required.

## Notes to the Financial Statements

For the year ended 31 December 2003

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

#### *SSAP 36 "Agriculture"*

In the current year, the Group has early adopted SSAP 36 Agriculture ("SSAP 36"). The principal effect of implementation of SSAP 36 is in relation to the agricultural activity. SSAP 36 requires the measurement of biological assets at their fair value and introduces certain new disclosure requirements for biological assets and agricultural produce.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### *Basis of consolidation*

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

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

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

#### *Goodwill*

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Negative goodwill*

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

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

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

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

#### *Investments in subsidiaries*

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

#### *Interests in associates*

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

#### *Biological assets*

Fruit trees are measured at their fair value less estimated point-of-sale costs. The fair value of fruit trees is determined based on market prices of fruit trees of similar age. Fruit trees are perennial plants which have growth cycles of more than one year.

Litchi and longan fruits are initially measured at their fair value less estimated point-of-sale costs at the time of harvest. The fair value of litchi and longan fruits is determined based on market prices in the local area.

## Notes to the Financial Statements

For the year ended 31 December 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Property, plant and equipment*

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

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

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

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

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Investment properties*

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

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

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

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

#### *Land pending development*

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

#### *Investments in securities*

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Agricultural produce*

Agricultural produce comprises litchi and longan fruits.

Self-grown litchi and longan fruits are measured in the balance sheet at their respective fair values less estimated point-of-sale costs.

Fair value represents the estimated purchase cost that the Group has to procure such inventories in the market on an arm's length basis. Gain or loss arising on initial recognition of litchi and longan fruits at fair value less estimated point-of-sale costs is dealt with in the income statement when it arises.

#### *Inventories*

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

#### *Properties held for sale*

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

#### *Revenue recognition*

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

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

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Impairment*

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

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

#### *Borrowing costs*

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

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

#### *Foreign currencies*

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

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

## Notes to the Financial Statements

For the year ended 31 December 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 basis 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.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### *Retirement benefits scheme*

Payments to the Group's retirement benefits scheme are charged as an expense as they fall due.



## Notes to the Financial Statements

For the year ended 31 December 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### *Operating leases*

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

### 4. TURNOVER

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

	2003 HK\$'000	2002 HK\$'000
Sales of merchandise from manufacturing and trading business	1,991,527	1,568,292
Sales of travel-related products	1,079,335	44,747
Sales of computer hardware and software products	34,962	50,004
Rental income	10,905	11,074
Service income from information and technology related business	2,416	33,789
	<b>3,119,145</b>	<b>1,707,906</b>

### 5. RESTRUCTURING COSTS

The amount represents costs incurred in connection with the reorganisation of the Group's operations.

### 6. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Allowance for inventories made (written back)	6,874	(2,349)
Amortisation of goodwill included in administrative expenses	1,705	1,331
Auditors' remuneration	1,459	1,300
Depreciation and amortisation on		
- owned assets	49,603	46,059
- assets held under finance leases	1,185	167
Net loss on disposal of property, plant and equipment	631	236
Staff costs (including directors' emoluments)	414,575	325,246

## Notes to the Financial Statements

For the year ended 31 December 2003

### 7. DIRECTORS' EMOLUMENTS

	2003 HK\$'000	2002 HK\$'000
Directors' fees:		
Executive	84	100
Independent non-executive	70	437
Other emoluments of executive directors:		
Salaries and other benefits	1,158	3,948
Discretionary bonus	7,000	—
Contributions to retirement benefits scheme	59	182
<b>Total emoluments</b>	<b>8,371</b>	<b>4,667</b>

The emoluments of the directors were within the following bands:

	2003 Number of Directors	2002 Number of Directors
Up to HK\$1,000,000	6	8
HK\$1,000,001 to HK\$1,500,000	—	1
HK\$2,500,001 to HK\$3,000,000	—	1
HK\$3,500,001 to HK\$4,000,000	2	—
	<b>8</b>	<b>10</b>

### 8. EMPLOYEES' EMOLUMENTS

Of the five highest paid individuals in the Group, two (2002: two) were directors of the Company whose emoluments are included in the disclosures in note 7 above. The emoluments of the remaining three (2002: three) individuals were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	4,389	4,635
Discretionary bonus	141	—
Retirement benefits scheme contributions	76	165
	<b>4,606</b>	<b>4,800</b>

## Notes to the Financial Statements

For the year ended 31 December 2003

### 8. EMPLOYEES' EMOLUMENTS (Continued)

The emoluments were within the following bands:

	2003 Number of employees	2002 Number of employees
Up to HK\$1,000,000	—	2
HK\$1,000,001 to HK\$1,500,000	2	—
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,500,001 to HK\$3,000,000	—	1
	<b>3</b>	<b>3</b>

During each of the two years ended 31 December 2003, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived any emoluments during the year.

### 9. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest expense on:		
- bank loans and overdrafts wholly repayable within five years	8,951	11,854
- finance lease	310	23
- advances from related parties	—	267
	<b>9,261</b>	<b>12,144</b>
Total borrowings costs	<b>9,261</b>	<b>12,144</b>

## Notes to the Financial Statements

For the year ended 31 December 2003

### 10. NET GAIN ON DISPOSAL OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Gain on dilution and disposal of interest in SCIT (note i)	—	91,201
Gain on dilution of interest in WSE (note ii)	—	8,956
Loss on disposal of other subsidiaries	—	(361)
	—	99,796

Notes:

- (i) During the year ended 31 December 2002, the Group's interest in South China Information and Technology Limited ("SCIT") was diluted from 70.35% to 7.17% as a result of subscription of new shares in SCIT by a new shareholder. The dilution gave rise to a deemed gain of approximately HK\$67,200,000. The Group later sold its remaining interest in SCIT and recorded an additional gain of approximately HK\$24,000,000.
- (ii) During the year ended 31 December 2002, the remaining 49% equity interest in Wah Shing Electronics Company Limited ("WSE") held by a wholly-owned subsidiary of the Company was sold to a wholly-owned subsidiary of Wah Shing International Holdings Limited. Consequently, the Group's effective interest in WSE was diluted from 59.0% to 35.9%. The dilution gave rise to a deemed gain of approximately HK\$9,000,000.

### 11. INCOME TAX EXPENSE (CREDIT)

	2003 HK\$'000	2002 HK\$'000
Current tax:		
Hong Kong Profits Tax		
Current year	8,000	758
Underprovision in prior years	288	672
Other jurisdictions	686	1,593
	8,974	3,023
Deferred taxation (note 34)	—	(577)
Taxation attributable to the Company and its subsidiaries	8,974	2,446
Share of taxation attributable to an associate	(1,481)	(3,716)
	7,493	(1,270)

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. The PRC enterprise income tax is calculated at the rates prevailing in the relevant regions.

## Notes to the Financial Statements

For the year ended 31 December 2003

### 11. INCOME TAX EXPENSE (CREDIT) (Continued)

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2003 HK\$'000	2002 HK\$'000
Profit before taxation	106,166	18,196
Tax at the domestic income tax rate of 17.5% (2002: 16%)	18,579	2,911
Tax effect of share of results of associates	(1,481)	(3,716)
Tax effect of expenses that are not deductible in determining taxable profit	4,431	24,426
Tax effect of income that is not taxable in determining taxable profit	(15,545)	(35,158)
Tax effect of utilisation of tax losses not previously recognised	(2,340)	(1,676)
Tax effect of unrecognised deferred tax asset in respect of tax losses	3,216	10,994
Underprovision of tax expenses in prior years	680	740
Effect of different tax rates of operations in other jurisdictions	(47)	209
Tax expense (credit) for the year	7,493	(1,270)

### 12. DIVIDEND

	2003 HK\$'000	2002 HK\$'000
Final dividend proposed of 2 HK cents per share (2002: Nil)	10,607	—

### 13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK\$67,076,000 (2002: HK\$15,217,000) and on the weighted average number of 530,335,000 (2002: 530,335,000) shares in issue during the year.

No diluted earnings per share is presented for the year ended 31 December 2003 as there was no dilutive potential ordinary shares in existence. No diluted earnings per share is presented for the year ended 31 December 2002 because the exercise price of the share options were higher than the average market price for shares.

## Notes to the Financial Statements

For the year ended 31 December 2003

### 14. BIOLOGICAL ASSETS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
<b>Reconciliation of the carrying amounts of fruit trees:</b>		
Litchi fruit trees		
Carrying amount at the beginning of the year	—	—
Increase due to acquisition of a subsidiary	54,187	—
Loss arising from changes in fair value less estimated point-of-sale costs	(2,887)	—
Carrying amount at end of the year	51,300	—
Longan fruit trees		
Carrying amount at the beginning of the year	—	—
Increase due to acquisition of a subsidiary	17,640	—
Loss arising from changes in fair value less estimated point-of-sale costs	(940)	—
Carrying amount at end of the year	16,700	—
Total carrying amount at end of the year	68,000	—
<b>Loss arising from changes in fair value of fruit trees:</b>		
Litchi fruit trees	2,887	—
Longan fruit trees	940	—
	3,827	—
	No. of trees	No. of trees
<b>Quantities of fruit trees:</b>		
Litchi fruit trees	333,098	—
Longan fruit trees	108,434	—
	441,532	—

## Notes to the Financial Statements

For the year ended 31 December 2003

### 15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Furniture and leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Moulds and tools HK\$'000	Motor vehicles and vessels HK\$'000	Total HK\$'000
<b>THE GROUP</b>						
COST OR VALUATION						
At 1 January 2003	258,973	184,897	255,443	25,454	18,984	743,751
Additions	361	23,459	19,753	8,190	7,431	59,194
Acquired on acquisition of subsidiaries	1,083	83	—	—	321	1,487
Transfer from investment properties	24,966	—	—	—	—	24,966
Transfer to investment properties	(1,492)	—	—	—	—	(1,492)
Disposals	—	(3,804)	(9,065)	(1,741)	(1,918)	(16,528)
At 31 December 2003	283,891	204,635	266,131	31,903	24,818	811,378
Comprising:						
At cost	236,382	204,635	266,131	31,903	24,818	763,869
At valuation						
- 1988	31,112	—	—	—	—	31,112
- 1989	5,220	—	—	—	—	5,220
- 1992	204	—	—	—	—	204
- 1994	10,973	—	—	—	—	10,973
	283,891	204,635	266,131	31,903	24,818	811,378
DEPRECIATION AND AMORTISATION AND IMPAIRMENT						
At 1 January 2003	54,551	148,765	215,328	23,752	17,479	459,875
Provided for the year	11,058	19,558	15,303	3,366	1,503	50,788
Transfer to investment properties	(644)	—	—	—	—	(644)
Eliminated on disposals	—	(3,712)	(8,948)	(992)	(1,598)	(15,250)
Impairment loss recognised	13,782	—	—	—	—	13,782
At 31 December 2003	78,747	164,611	221,683	26,126	17,384	508,551
NET BOOK VALUE						
At 31 December 2003	205,144	40,024	44,448	5,777	7,434	302,827
At 31 December 2002	204,422	36,132	40,115	1,702	1,505	283,876

## Notes to the Financial Statements

For the year ended 31 December 2003

### 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	2003 HK\$'000	2002 HK\$'000
Hong Kong		
- held under medium-term leases	66,757	76,027
- held under long-term leases	17,150	—
The PRC		
- held under medium-term land use rights	18,194	20,084
- held under long-term land use rights	71,352	75,868
- in the process of applying land use rights certificates	31,691	32,443
	205,144	204,422

Certain land and buildings are stated at revalued amounts. Had those land and buildings been carried at cost less accumulated depreciation and impairment loss, the net book value of the Group's land and buildings as at 31 December 2003 would have been approximately HK\$177,000,000 (2002: HK\$176,000,000).

The carrying amount of the Group's plant and equipment includes an amount of approximately HK\$16,081,000 (2002: HK\$929,000) in respect of assets held under finance leases.

Impairment loss of approximately HK\$13,782,000 was recognised for the year with reference to the valuation performed by an independent professional qualified valuer.

### 16. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
VALUATION	
At 1 January 2003	192,920
Transfer from land and buildings	848
Transfer to land and buildings	(24,966)
Deficit on revaluation	(5,412)
	163,390
At 31 December 2003	163,390

Investment properties of the Group were valued at their open market value at 31 December 2003 by BMI Appraisals Limited, an independent firm of qualified valuers.

As at 31 December 2003, certain of the Group's investment properties with carrying value of approximately HK\$119,000,000 (2002: HK\$148,000,000) are rented out under operating leases.



## Notes to the Financial Statements

For the year ended 31 December 2003

### 16. INVESTMENT PROPERTIES (Continued)

The carrying amount of investment properties comprises:

	2003 HK\$'000	2002 HK\$'000
Hong Kong		
Long-term leases	2,800	20,300
Medium-term leases	150,930	162,960
	<b>153,730</b>	<b>183,260</b>
The PRC		
Medium-term land use rights	9,660	9,660
	<b>163,390</b>	<b>192,920</b>

### 17. LAND PENDING DEVELOPMENT

The land pending development of the Group is situated in the PRC and held under medium-term land use rights.

### 18. INTERESTS IN SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	234,018	234,018
Loans to subsidiaries	831,365	802,213
	<b>1,065,383</b>	<b>1,036,231</b>

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

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

## Notes to the Financial Statements

For the year ended 31 December 2003

### 19. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets		
- Listed associate in Hong Kong	98,795	108,087
- Unlisted associates	34,463	53,207
	133,258	161,294
Less: Impairment loss recognised	(3,341)	(3,341)
	129,917	157,953
Advances to associates	284,605	281,271
Less: Allowance for loans to associates	(62,433)	(103,543)
	222,172	177,728
	352,089	335,681
Market value of listed associate	68,471	62,765

The advances to associates are unsecured and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and accordingly, they are shown in the balance sheet as non-current. Except for the advances to Firm Wise Investment Limited ("FWIL") (before provision) of approximately HK\$276,000,000 (2002: HK\$260,000,000) which carries interest at 0.5% per annum, the remaining balances are interest-free.

Allowance for advances to associates included a write back of allowance for advances to an associate of HK\$40,000,000 (2002: provision of HK\$75,000,000) with reference to the valuation of the properties held by an associate performed by an independent professional qualified valuer.

## Notes to the Financial Statements

For the year ended 31 December 2003

### 19. INTERESTS IN ASSOCIATES (Continued)

The following details have been extracted from the unaudited financial statements of the Group's significant associate, FWIL, adjusted for the fair value of the investment property as at 31 December 2003 based on the valuation preformed by an independent professional qualified valuer.

#### Financial position

	2003 HK\$'000	2002 HK\$'000
Investment property	1,250,000	1,100,000
Other assets	24,698	15,560
	1,274,698	1,115,560
Trade and other payables	(62,747)	(64,367)
Bank borrowings	(504,408)	(554,908)
Due to shareholders	(972,726)	(922,781)
	(1,539,881)	(1,542,056)
Net liabilities	(265,183)	(426,496)
Net liabilities shared by the Group	(79,555)	(127,949)

Details of the principal associates are set out in note 50.

## Notes to the Financial Statements

For the year ended 31 December 2003

### 20. GOODWILL

	THE GROUP HK\$'000
COST	
At 1 January 2003 and 31 December 2003	8,029
AMORTISATION	
At 1 January 2003	1,331
Provided for the year	1,705
At 31 December 2003	3,036
NET BOOK VALUE	
At 31 December 2003	4,993
At 31 December 2002	6,698

The amortisation period adopted for goodwill is 4 to 5 years on a straight line basis.

### 21. NEGATIVE GOODWILL

	THE GROUP HK\$'000
GROSS AMOUNT	
Arising on acquisition of additional interest in a subsidiary and balance at 31 December 2003	1,114
RELEASED TO INCOME	
Released in the year and balance at 31 December 2003	—
CARRYING AMOUNT	
At 31 December 2003	1,114
At 31 December 2002	—

The amortisation period adopted for negative goodwill is 5 years on a straight line basis.

## Notes to the Financial Statements

For the year ended 31 December 2003

### 22. NON-TRADING SECURITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Equity securities listed in Hong Kong, at market value	62,588	34,209
Club membership	1,903	1,903
	64,491	36,112

### 23. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	98,168	87,455
Work in progress	105,867	77,892
Finished goods	60,100	49,432
	264,135	214,779

Included above are finished goods of approximately HK\$9,449,000 (2002: HK\$1,770,000) carried at net realisable value.

The cost of inventories recognised as expenses in the consolidated income statement was approximately HK\$1,768,839,000 (2002: HK\$1,453,998,000).

### 24. PROPERTIES HELD FOR SALE

The properties of the Group are situated in the PRC and are analysed as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Held under medium-term land use rights	19,221	16,500

## Notes to the Financial Statements

For the year ended 31 December 2003

### 25. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group are trade receivables of HK\$240,184,000 (2002: HK\$266,197,000) and their aged analysis is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within 90 days	222,806	238,939
91 to 180 days	16,943	27,258
181 to 365 days	435	—
	240,184	266,197

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

### 26. AMOUNT DUE FROM (TO) AN INTERMEDIATE HOLDING COMPANY

Details of amount due from (to) an intermediate holding company are as follows:

#### THE GROUP

	Balance at 31.12.2003 HK\$'000	Balance at 1.1.2003 HK\$'000	Maximum amount outstanding during the year HK\$'000
Tek Lee Finance and Investment Corporation Limited	(159)	51,676	51,676

#### THE COMPANY

	Balance at 31.12.2003 HK\$'000	Balance at 1.1.2003 HK\$'000	Maximum amount outstanding during the year HK\$'000
Tek Lee Finance and Investment Corporation Limited	(159)	52,624	52,624

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

## Notes to the Financial Statements

For the year ended 31 December 2003

### 27. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES

The amounts due from/to fellow subsidiaries of the Group and the Company are unsecured, interest free and repayable on demand.

### 28. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$359,168,000 (2002: HK\$330,201,000) and their aged analysis is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within 90 days	284,848	256,436
91 to 180 days	63,002	57,371
181 to 365 days	5,080	10,422
Over 365 days	6,238	5,972
	<b>359,168</b>	<b>330,201</b>

## Notes to the Financial Statements

For the year ended 31 December 2003

### 29. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank overdrafts	35,259	37,822	—	—
Bank loans	139,195	126,893	2,003	2,792
Trust receipt loans	66,943	84,830	—	—
	<b>241,397</b>	<b>249,545</b>	<b>2,003</b>	<b>2,792</b>
Analysed as:				
Secured	237,815	217,606	—	—
Unsecured	3,582	31,939	2,003	2,792
	<b>241,397</b>	<b>249,545</b>	<b>2,003</b>	<b>2,792</b>
The maturity profile of the above borrowings is as follows:				
Within one year	166,287	176,846	830	788
More than one year, but not exceeding two years	29,502	24,007	872	830
More than two years, but not exceeding five years	31,646	28,271	301	1,174
Over five years	13,962	20,421	—	—
	<b>241,397</b>	<b>249,545</b>	<b>2,003</b>	<b>2,792</b>
Less: Amounts due within one year shown under current liabilities	(166,287)	(176,846)	(830)	(788)
	<b>75,110</b>	<b>72,699</b>	<b>1,173</b>	<b>2,004</b>



## Notes to the Financial Statements

For the year ended 31 December 2003

### 30. 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
<b>THE GROUP</b>				
Amounts payable under finance leases:				
Within one year	5,544	275	5,096	248
In the second to fifth year inclusive	8,125	737	7,776	692
	13,669	1,012	12,872	940
Less: Future finance charges	(797)	(72)	—	—
Present value of lease obligations	12,872	940	12,872	940
Less: Amount due for settlement within 12 months shown under current liabilities			(5,096)	(248)
Amount due for settlement after 12 months			7,776	692

The average lease term is 3 to 5 years (2002: 4 to 4.5 years). For the year ended 31 December 2003, the average effective borrowing rates were ranged from 1.85% to 4.25% (2002: 2.75% to 2.9%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Hong Kong dollar.

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

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

## Notes to the Financial Statements

For the year ended 31 December 2003

### 31. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2002, 31 December 2002 and 31 December 2003	1,000,000,000	100,000
<hr/>		
Issued and fully paid:		
At 1 January 2002, 31 December 2002 and 31 December 2003	530,335,000	53,033
<hr/>		

### 32. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
<b>THE COMPANY</b>					
At 1 January 2002	193,410	223	195,775	163,707	553,115
Net loss for the year	—	—	—	(14,628)	(14,628)
<hr/>					
At 31 December 2002	193,410	223	195,775	149,079	538,487
Net loss for the year	—	—	—	(8,201)	(8,201)
<hr/>					
At 31 December 2003	193,410	223	195,775	140,878	530,286
<hr/>					

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

The Company's reserves available for distribution represent the share premium, contributed surplus and accumulated profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2003 amounted to approximately HK\$530,000,000 (2002: HK\$538,000,000).

## Notes to the Financial Statements

For the year ended 31 December 2003

### 33. ADVANCES FROM ASSOCIATES/MINORITY SHAREHOLDERS

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

### 34. DEFERRED TAXATION

#### THE GROUP

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

	<b>Accelerated tax depreciation</b>	<b>Tax losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2002			
- as previously reported	—	—	—
- adjustment on adoption of SSAP 12 (Revised)	2,828	(2,828)	—
- as restated	2,828	(2,828)	—
Charge (credit) to income	1,016	(263)	753
At 31 December 2002	3,844	(3,091)	753
Charge (credit) to income	1,685	(1,685)	—
Effect of change in tax rate	360	(360)	—
At 31 December 2003	5,889	(5,136)	753
		<b>2003</b>	2002
		<b>HK\$'000</b>	HK\$'000
Deferred tax liabilities		5,889	3,844
Deferred tax assets		(5,136)	(3,091)
		<b>753</b>	753

## Notes to the Financial Statements

For the year ended 31 December 2003

### 34. DEFERRED TAXATION *(Continued)*

At 31 December 2003, the Group has unused tax losses of HK\$692,327,000 (2002: HK\$687,326,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$29,349,000 (2002: HK\$19,319,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$662,978,000 (2002: HK\$668,007,000) due to the unpredictability of future profit streams.

### 35. AMOUNTS DUE TO SUBSIDIARIES

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

### 36. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired the entire issued share capital of Spring Joy Industrial Limited (“Spring Joy”) from SCH for a consideration of HK\$10,000,000. Spring Joy is an investment holding company, and its subsidiary is principally engaged in the cultivation and sale of agricultural produce in the PRC.

## Notes to the Financial Statements

For the year ended 31 December 2003

### 36. ACQUISITION OF SUBSIDIARIES (Continued)

During 2002, the Group acquired the entire issued share capital of Four Seas Travel Investments Limited ("FSTIL") for a consideration of HK\$500,000. FSTIL is an investment holding company. Its subsidiaries are principally engaged in the business of sale of air tickets and provision of travel related services.

	2003 HK\$'000	2002 HK\$'000
NET ASSETS ACQUIRED:		
Property, plant and equipment	1,487	2,441
Investment properties	—	2,100
Biological assets	71,827	—
Trade and other receivables	158	60,865
Pledged time deposit	—	10,000
Bank balances and cash	29	6,932
Trade and other payables	(1,942)	(58,722)
Bank borrowings due within one year	—	(29,147)
Amount due to a related company	(61,559)	—
	10,000	(5,531)
Goodwill on acquisition	—	6,031
Total consideration	10,000	500
SATISFIED BY		
Cash	10,000	500
Net cash outflow from acquisition of subsidiaries is as follows:		
Bank balances and cash	29	6,932
Bank overdraft	—	(29,147)
Cash consideration paid	(10,000)	(500)
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	(9,971)	(22,715)

The subsidiaries acquired during the year had no significant contributions to the Group's turnover and profit from operations. The subsidiaries acquired in 2002 contributed HK\$44,747,000 to the Group's turnover and a profit of HK\$1,494,000 to the Group's profit from operations.

## Notes to the Financial Statements

For the year ended 31 December 2003

### 37. DISPOSAL OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
NET ASSETS DISPOSED OF:		
Land pending development	—	43,976
Property, plant and equipment	—	6,443
Inventories	—	15,978
Property held for sale	—	26,737
Trade and other receivables	—	13,628
Bank balances and cash	—	12,668
Trade and other payables	—	(118,557)
Taxation	—	(524)
Long-term bank loans	—	(1,464)
Minority interests	—	(34,722)
Transfer to interest in an associate	—	(1,270)
<hr/>		
Group's share of net assets disposed of	—	(37,107)
Statutory reserve realised on disposal	—	(15)
Translation reserve realised on disposal	—	(1,550)
Net gain on disposal of subsidiaries	—	90,840
<hr/>		
Total consideration	—	52,168
<hr/>		
SATISFIED BY:		
Cash	—	34,157
Other receivable	—	18,011
<hr/>		
	—	52,168
<hr/>		
Net cash inflow from disposal of subsidiaries is as follows:		
Bank balances and cash disposed of	—	(12,668)
Cash consideration received	—	34,157
<hr/>		
Net cash inflow from disposal of subsidiaries	—	21,489

The subsidiaries disposed of during the year ended 31 December 2002 contributed approximately HK\$47,805,000 to the Group's turnover and a loss of HK\$173,000 to the Group's profit from operations.

## Notes to the Financial Statements

For the year ended 31 December 2003

### 38. RECLASSIFICATION OF A SUBSIDIARY TO AN ASSOCIATE

During the year ended 31 December 2002, a subsidiary, South China (Tianjin) Garment Co. Ltd. ("TJ Garment") was reclassified from a subsidiary to an associate as in the opinion of the directors, the Group can only exercise significant influence, rather than control, over TJ Garment and consequently it was reclassified as an associate. Details of the reclassification were as follows:

	2003 HK\$'000	2002 HK\$'000
NET LIABILITIES RECLASSIFIED:		
Property, plant and equipment	—	7,096
Inventories	—	5,162
Trade and other receivables	—	3,878
Bank balances and cash	—	394
Trade and other payables	—	(13,914)
Amount due to a shareholder	—	(29)
Bank borrowings due within one year	—	(5,634)
Net liabilities of the subsidiary reclassified as an associate	—	(3,047)
Net cash outflow arising from the reclassification	—	(394)

## Notes to the Financial Statements

For the year ended 31 December 2003

### 39. RELATED PARTY DISCLOSURES

#### (a) Transactions

Other than those disclosed in note 36, during the year, the Group had significant transactions with related parties as follows:

Name of related party	Nature of transaction	2003 HK\$'000	2002 HK\$'000
SCH Group (note i)	Rental income received (note ii)	2,170	899
	Interest income received (note iii)	1,493	1,510
	Brokerage fee paid (note v)	159	63
	Interest expense paid (note iii)	31	512
	Management fees paid (note ii)	6,000	12,000
	Promotion and marketing fees paid (note ii)	6,240	5,000
	Management fee received (note ii)	—	360
Associates	Management fees received (note ii)	2,273	3,320
	Interest income (note iv)	1,425	2,453
Jessica Management Limited (note vi)	Rental income received (note ii)	241	99
Capital Publishing Management Ltd (note vi)	Rental income received (note ii)	171	70

Notes:

- (i) SCH is the ultimate holding company of the Company. SCH together with its subsidiaries (other than shareholders of the Group) are collectively referred to as the "SCH Group".
- (ii) These transactions were carried out on terms determined and agreed by both parties.
- (iii) Interest was charged at commercial rates.
- (iv) Interest was charged at 0.5% on the outstanding advances to an associate.
- (v) These transactions were chargeable at commercial rate.
- (vi) Mr. Ng Hung Sang, Robert, a director of the Company, is also a director and substantial shareholder of these companies.



## Notes to the Financial Statements

For the year ended 31 December 2003

### 39. RELATED PARTY DISCLOSURES (Continued)

(b) *Balances*

Details of the balances with related companies at the balance sheet date are set out in notes 26, 27, 33 and 35.

(c) *Guarantee*

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

### 40. OPERATING LEASES ARRANGEMENTS

*The Group as lessee*

The minimum lease payments of the Group paid for premises under operating leases during the year were HK\$9,998,000 (2002: HK\$6,120,000).

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	7,415	3,681
In the second to fifth year inclusive	26,397	8,140
Over five years	83,387	67,050
	117,199	78,871

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

## Notes to the Financial Statements

For the year ended 31 December 2003

### 40. OPERATING LEASES ARRANGEMENTS (Continued)

#### *The Group as lessor*

Property rental income earned of the Group during the year was approximately HK\$10,905,000 (2002: HK\$11,074,000). All of the properties held have committed tenants up to the next five years.

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	8,218	11,369
In the second to fifth year inclusive	5,227	11,711
Over five years	—	2,050
	<b>13,445</b>	<b>25,130</b>

### 41. CAPITAL COMMITMENTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Capital expenditure contracted but not provided for in the financial statements in respect of acquisition of:		
- property, plant and equipment	16,189	7,372
- land use rights	5,660	5,660
	<b>21,849</b>	<b>13,032</b>
Capital expenditure in respect of properties under development authorised but not contracted for	—	22,282

As at 31 December 2003, the Company did not have any material capital commitments (2002: Nil).

## Notes to the Financial Statements

For the year ended 31 December 2003

### 42. CONTINGENT LIABILITIES

#### (i) Guarantees

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees to banks in respect of banking facilities granted to				
- FWIL	174,000	174,000	—	—
- subsidiaries	—	—	237,650	193,150
Undertaking to a former associate for banking facilities granted to the associate	23,250	23,250	23,250	23,250
Undertaking to a subsidiary to guarantee a minimum net profit	—	—	6,000	—
	197,250	197,250	266,900	216,400

#### (ii) Outstanding litigations

At 31 December 2003, the Group had the following litigations outstanding:

- (a) During the year ended 31 December 2002, an Intermediate People's Court of Dongguan, the PRC (the "Court") had delivered a judgment and ordered the Group to effectively dissolve a subsidiary (the "Dongguan Subsidiary") and share the assets and liabilities of the Dongguan Subsidiary with the minority shareholder as the Court directed. Based on this judgment, the Group could suffer a net loss of investment of approximately HK\$8 million. Based on advice from its legal counsel, the Group has appealed against the judgment and also counter claimed against the minority shareholder for breach of contract and refund of investment amounts. During the year ended 31 December 2003, the case is still in the process of collation of additional documents, having taken legal advice, the directors believe that the Group has sufficient evidence and legal bases for its appeal and counter claims. Accordingly, no provision for loss has been made in the financial statements.
- (b) In the course of its normal business, the Group also had other outstanding claims and counter claims arising from its investment and operating activities. In the opinion of the directors, ultimate resolution of these claims and counter claims will not have a material impact on its financial position or the results for the year.

## Notes to the Financial Statements

For the year ended 31 December 2003

### 43. PLEDGES OF ASSETS

At 31 December 2003, certain of the Group's assets were pledged to secure the banking facilities granted to the Group, as follows:

	2003 HK\$'000	2002 HK\$'000
Net book value of pledged assets:		
Property, plant and equipment	86,212	81,257
Investment properties	151,630	183,260
Inventories	66,943	81,522
Bank deposits	11,900	11,088
	316,685	357,127

### 44. NON-CASH TRANSACTIONS

Addition to plant and equipment during the year amounting to approximately HK\$15,166,000 (2002: HK\$1,096,000) were financed by new finance leases.

### 45. SHARE OPTION SCHEMES

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

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

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2003

### 45. SHARE OPTION SCHEMES (Continued)

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

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

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2003

### 45. SHARE OPTION SCHEMES (Continued)

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

The following tables disclose details of SCB's options under the SCB Old Scheme held by employees (including directors) and movements in such holdings during each of the two years ended 31 December 2003:

Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.1.2003	Granted during the year	Lapsed during the year	Outstanding at 31.12.2003
15.8.1993	15.8.1994-11.7.2003	0.180	250,000,000	—	(250,000,000)	—
15.3.2000	15.3.2001-11.7.2003	0.238	35,000,000	—	(35,000,000)	—
10.5.2001	10.5.2002-11.7.2003	0.138	20,000,000	—	(20,000,000)	—
7.6.2001	7.6.2002-11.7.2003	0.168	16,000,000	—	(16,000,000)	—
9.7.2001	9.7.2002-11.7.2003	0.180	20,000,000	—	(20,000,000)	—
			341,000,000	—	(341,000,000)	—

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

#### (b) The Company, SCH and SCB new share option schemes

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

## Notes to the Financial Statements

For the year ended 31 December 2003

### 45. SHARE OPTION SCHEMES (Continued)

#### (b) *The Company, SCH and SCB new share option schemes (Continued)*

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2003

### 45. SHARE OPTION SCHEMES (Continued)

#### (b) *The Company, SCH and SCB new share option schemes (Continued)*

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

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

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

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

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

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

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

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



## Notes to the Financial Statements

For the year ended 31 December 2003

### 45. SHARE OPTION SCHEMES (Continued)

#### (b) *The Company, SCH and SCB new share option schemes (Continued)*

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

During each of the two years ended 31 December, 2003, no options were granted under any of the New Schemes.

### 46. RETIREMENT BENEFITS SCHEMES

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

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

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

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

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

During the year, the aggregate employer's contribution made by the Group and charged to the consolidated income statement were approximately HK\$13,810,000 (2002: HK\$8,122,000) after deduction of forfeited contributions of approximately HK\$1,122,000 (2002: HK\$2,038,000). At the balance sheet dates, there were no material forfeited contributions, which arose upon employees leaving the ORSO Scheme, are available to reduce the contributions payables in future years.

## Notes to the Financial Statements

For the year ended 31 December 2003

### 47. POST BALANCE SHEET EVENT

Up to the date of this report, the Group has further acquired approximately 9% of Wah Shing International Holdings Limited for a consideration of approximately HK\$22,000,000.

### 48. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### *Business segments*

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

Principal activities are as follows:

Trading and manufacturing	—	trade and manufacture of merchandise including toys, compressors, shoes, metal tooling, leather products, motor, machinery, capacitors and clothing
Information technology	—	information and technology related business
Property development	—	property development and investment
Investment holding	—	investment holding and others
Travel business	—	sales of air-tickets and travel-related products
Agriculture produce ( <i>Note</i> )	—	cultivation of fruit trees and sales of fruits

*Note:* Agriculture produce is a business segment newly acquired during the year ended 31 December 2003.

# Notes to the Financial Statements

For the year ended 31 December 2003

## 48. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

Segment information about these businesses is presented below:

#### 2003

	Trade and manufacturing <i>HK\$'000</i>	Information technology <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Travel business <i>HK\$'000</i>	Agriculture produce <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>REVENUE</b>							
External sales	1,991,527	37,378	10,905	—	1,079,335	—	3,119,145
<b>RESULTS</b>							
Segment results	68,918	(4,546)	6,646	6,871	9,039	(7,084)	79,844
Finance costs							(9,261)
Share of results of associates	(6,390)	(2,530)	3,393	—	—	—	(5,527)
Write back of allowance for advances to associates	—	—	41,110	—	—	—	41,110
Profit before taxation							106,166
Income tax expense							(7,493)
Profit before minority interests							98,673

#### BALANCE SHEET

	Trade and manufacturing <i>HK\$'000</i>	Information technology <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Travel business <i>HK\$'000</i>	Agriculture produce <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>							
Segment assets	880,222	10,099	187,610	64,491	125,189	78,353	1,345,964
Interests in associates	139,027	3,237	209,825	—	—	—	352,089
Consolidated total assets							1,698,053
<b>LIABILITIES</b>							
Segment liabilities	256,186	4,959	87,522	—	116,159	2,486	467,312
Unallocated corporate liabilities							263,617
Consolidated total liabilities							730,929

## Notes to the Financial Statements

For the year ended 31 December 2003

### 48. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

2003

#### OTHER INFORMATION

	Trade and manufacturing HK\$'000	Information technology HK\$'000	Property development HK\$'000	Investment holding HK\$'000	Travel business HK\$'000	Agriculture produce HK\$'000	Total HK\$'000
Capital additions	58,387	45	—	—	667	95	59,194
Depreciation and amortisation of property, plant and equipment	46,588	476	2,278	—	875	571	50,788
Impairment losses recognised in the consolidated income statement	—	—	26	2,013	—	—	2,039
Amortisation of goodwill	—	—	—	1,705	—	—	1,705
Allowance for bad and doubtful debts	—	—	852	—	—	424	1,276

2002

	Trade and manufacturing HK\$'000	Information technology HK\$'000	Property development HK\$'000	Investment holding HK\$'000	Travel business HK\$'000	Total HK\$'000
REVENUE						
External sales	1,568,292	83,793	11,074	—	44,747	1,707,906
RESULTS						
Segment results	16,978	(1,930)	6,288	(13,154)	2,010	10,192
Finance costs						(12,144)
Share of results of associates	(3,398)	(1,940)	(5,934)	—	6,624	(4,648)
Allowance for advances to associates	—	—	(75,000)	—	—	(75,000)
Net gain on disposal of subsidiaries						99,796
Profit before taxation						18,196
Income tax credit						1,270
Profit before minority interests						19,466

## Notes to the Financial Statements

For the year ended 31 December 2003

### 48. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

2002

#### BALANCE SHEET

	Trade and manufacturing HK\$'000	Information technology HK\$'000	Property development HK\$'000	Investment holding HK\$'000	Travel business HK\$'000	Total HK\$'000
<b>ASSETS</b>						
Segment assets	929,976	12,626	223,395	36,112	80,036	1,282,145
Interests in associates	146,061	6,410	183,210	—	—	335,681
Consolidated total assets						1,617,826
<b>LIABILITIES</b>						
Segment liabilities	209,129	7,556	175,072	—	79,560	471,317
Unallocated corporate liabilities						252,435
Consolidated total liabilities						723,752

#### OTHER INFORMATION

	Trade and manufacturing HK\$'000	Information technology HK\$'000	Property development HK\$'000	Investment holding HK\$'000	Travel business HK\$'000	Total HK\$'000
Capital additions	21,764	2,594	—	—	—	24,358
Depreciation and amortisation of property, plant and equipment	44,436	562	—	—	1,228	46,226
Impairment losses recognised in the consolidated income statement	—	—	1,300	16,419	—	17,719
Allowance for bad and doubtful debts	24,260	—	—	—	—	24,260
Amortisation of goodwill	—	—	—	1,331	—	1,331

## Notes to the Financial Statements

For the year ended 31 December 2003

### 48. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Geographical segments

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

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

	Sales revenue by geographical market		Profit (loss) from operations by geographical market	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC including Hong Kong	1,299,566	210,616	29,672	(17,976)
The United States of America	1,214,145	978,723	37,949	20,464
Europe	463,910	442,377	9,159	6,937
Japan	47,405	22,501	891	(145)
Other	94,119	53,689	2,173	912
	<b>3,119,145</b>	<b>1,707,906</b>	<b>79,844</b>	<b>10,192</b>

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

	Carrying amount of segment assets as at		Additions to property, plant and equipment and intangible assets as at	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	947,530	937,957	8,033	15,959
Other regions in the PRC	750,523	679,869	51,161	16,428
	<b>1,698,053</b>	<b>1,617,826</b>	<b>59,194</b>	<b>32,387</b>

## Notes to the Financial Statements

For the year ended 31 December 2003

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration/ and operations	Class of share held	Issued and fully paid share capital/ registered capital	Percentage of held by the subsidiaries	Percentage of issued capital attributable to the Group	Principal activities
					(note a)	
Buji Soft Toys Company Limited	Hong Kong	Ordinary Non-voting Deferred (note b)	HK\$20 HK\$6,000,000	100%	53.3%	Trading in toys
Buji Soft Toys Company (BVI) Limited	British Virgin Islands/The PRC	Ordinary	US\$1,000	100%	53.3%	Manufacturing of toys
Copthorne Holdings Corp.	Republic of Panama/ Hong Kong	Ordinary	US\$200	100%	53.3%	Property investment
Strategic Finance Limited (formerly known as Four Seas Capital Limited)	Hong Kong	Ordinary	HK\$2	100%	100%	Provision of financing services
Glorious Dragon Investments Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Property investment
Global Trinity Properties Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Property investment
South China Strategic Limited	Hong Kong	Ordinary	HK\$308,594,000	100%	100%	Investment holding
Hong Kong Four Seas Tours Limited	Hong Kong	Ordinary Non-voting Deferred (note b)	HK\$20,800,000 HK\$1,200,000	100%	100%	Sale of air tickets and provision of travel related services
Man Wah Trading Limited	Hong Kong	Ordinary	HK\$10,000	100%	53.3%	Investment in securities

## Notes to the Financial Statements

For the year ended 31 December 2003

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ and operations	Class of share held	Issued and fully paid share capital/ registered capital	Percentage of held by the subsidiaries	Percentage of issued capital attributable to the Group	Principal activities
Wah Shing Toys Company Limited	Hong Kong	Ordinary Non-voting Deferred (note b)	HK\$2 HK\$3,020,002	100%	53.3%	Trading of toys and investment holding
Wah Shing International Holdings Limited (listed on The Singapore Exchange Securities Trading Limited)	Bermuda/ Hong Kong	Ordinary	HK\$54,432,000	53.3%	53.3%	Investment holding
Micon Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Investment holding
South China Industries (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$10,000	100%	100%	Investment holding
South China Garments Company Limited	Hong Kong	Ordinary	HK\$500,000	100%	100%	Trading of garments
South China Shoes Products Company Limited	Hong Kong	Ordinary	HK\$500,000	100%	53.3%	Trading of shoes
Shineway Investments Limited	Hong Kong	Ordinary	HK\$500,000	100%	53.3%	Trading of shoes
South China Leesheng Sporting Goods Co., Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Trading of sports products



## Notes to the Financial Statements

For the year ended 31 December 2003

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ and operations	Class of share held	Issued and fully paid share capital/ registered capital	Percentage of held by the subsidiaries	Percentage of issued capital attributable to the Group	Principal activities
					(note a)	
South China Leather Chemical Products Company (HK) Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Trading of leather chemical products
South China Machinery Limited	Hong Kong	Ordinary	HK\$10,000	60%	60%	Trading of machinery
Wah Shing Electronics Company Limited	Hong Kong/ The PRC	Ordinary	HK\$571,500	70%	37.3%	Manufacturing of toys
Tianjin South China Shoes Products Co. Ltd (note c)	The PRC	Registered	RMB36,100,200	80%	42.6%	Manufacturing of leather footwear products
Tianjin South China Li Sheng Sports Wears Co. Ltd. (note c)	The PRC	Registered	RMB9,940,167	80%	80%	Manufacturing of sports products
Tianjin South China Leather Chemical Products Co. Ltd. (note c)	The PRC	Registered	RMB19,681,600	80%	80%	Manufacturing of leather products
Chongqing Incyber Opt. Inf. Sci. & Tech. Co. Ltd. (note c)	The PRC	Registered	RMB3,500,000	65%	65%	Information and technology related business
Shenyang Shenglian Electronics Science & Technology Ltd. (note c)	The PRC	Registered	RMB4,000,000	70%	70%	Information and technology related business
Guangdong Huaxing Fruit Development Co. Ltd (note d)	The PRC	Registered	RMB50,974,857	100%	100%	Fruit plantation

## Notes to the Financial Statements

For the year ended 31 December 2003

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Notes:

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

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

None of the subsidiaries had any loan capital in issue at any time during the year or at the end of the year.

## Notes to the Financial Statements

For the year ended 31 December 2003

### 50. PARTICULARS OF PRINCIPAL ASSOCIATES

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

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

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

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