

Notes to the Financial Statements

For the year ended 31 December 2004

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 are principally engaged in the trading and manufacturing, securities and commodities brokerage and trading, margin financing, money lending, provision of corporate advisory and underwriting services, information and technology related businesses, real estate investment and development, implementation and marketing of software applications, magazines publishing and printing businesses, marketing and promotional services, agricultural production, sale of air tickets and provision of other related travel services.

2. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKAS”) (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004, except for the following new HKFRSs as further explained below:

HKFRS 3	Business combinations
HKAS 36	Impairment of assets
HKAS 38	Intangible assets
HKAS 17	Leases
HKAS 40	Investment property

Notes to the Financial Statements

For the year ended 31 December 2004

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

HKFRS 3 “Business combinations”, HKAS 36 “Impairment of assets” and HKAS 38 “Intangible assets”

HKFRS 3 applies to accounting for business combination for which the agreement date is on or after 1 January 2005. The early adoption of HKFRS 3 and HKAS 36 from 1 January 2004 has resulted in the Group ceasing annual amortisation of goodwill and to test for impairment annually at the cash generating unit level (unless an event occurs during the year which requires the goodwill to be tested more frequently). Discount on acquisition is credited to the income statement in the period of acquisition. The transitional provisions of HKFRS 3 have required the Group to eliminate the carrying amount of the accumulated amortisation by HK\$3,036,000 with a corresponding entry to the cost of goodwill. In addition, the Group's negative goodwill at 1 January 2004 with a carrying amount of HK\$1,114,000 has been derecognised at 1 January 2004, with corresponding adjustment to the Group's accumulated profits at 1 January 2004 of HK\$833,000 and the minority interests of HK\$281,000. As a result of this change in accounting policy, the profit of the Group for the year has been increased by HK\$10,470,000.

HKAS 38 requires the Group to reassess the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

HKAS 17 “Leases” and HKAS 40 “Investment property”

HKAS 17 requires the finance lease methodology be used for investment properties held under leases. The standard requires the land and buildings elements be considered separately when classifying a lease of land and buildings. Separate measurement of the land and buildings elements is not required if the interest in both the land and buildings is classified as an investment property in accordance with HKAS 40 and the fair value model is adopted.

HKAS 40 introduces both cost model and fair value model for the measurement of investment property. For fair value model, HKAS 40 requires fair value changes be recognised to the income statement in the period in which they arise. The Group has elected to apply the fair value model in measuring its investment property and recognises the fair value changes to the income statement in the period in which they arise. HKAS 40 allows a property interest that is held under an operating lease and that the property meets the definition of an investment property and the lessee recognises the asset by using the fair value model set out in the standard be classified and accounted for as investment property. The adoption of HKAS 40 has no material effect on the Group's results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

Notes to the Financial Statements

For the year ended 31 December 2004

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

HKAS 17 "Leases" and HKAS 40 "Investment property" (Continued)

For those new HKFRSs that the Group has not early adopted in the financial statements for the year ended 31 December 2004, the Group has commenced considering the potential impact of those new HKFRSs but is not yet in a position to determine whether those HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. Those HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

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 buildings and biological assets. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 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 date of acquisition or up to the effective date of disposal, as appropriate.

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

Goodwill

Goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves, and will not recognise that goodwill in profit or loss when the Group disposes of all or part of the business to which the goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Goodwill arising on acquisitions after 1 January 2001 and before 31 December 2003 is capitalised and amortised on a straight-line basis over its useful economic life. From 1 January 2004 onwards, the Group has ceased annual amortisation of goodwill and to test for impairment at least annually. 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.

Goodwill arising on acquisition after 1 January 2004 represents the excess of the cost of acquisition over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

Goodwill is tested annually for impairment, and whenever there is an indication that the cash generating unit to which the goodwill is allocated may be impaired. An impairment loss is determined by comparing the carrying amount of the cash generating unit, including the goodwill, with the recoverable amount of the cash generating unit. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Where goodwill forms part of a cash generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Reversal of impairment loss of goodwill is prohibited.

For acquisition after 1 January 2004, any deficiency of the cost of acquisition below the Group's share of the fair values of the assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

Investments in subsidiaries

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

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

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.

Property, plant and equipment

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

Certain land and buildings are stated in the balance sheet at amounts based on revaluations 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 Statements of Standard Accounting Practice ("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.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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 10%
Furniture and leasehold improvements	10% to 25%
Machinery and equipment	10% to 25%
Moulds and tools	20% to 25%
Motor vehicles and vessels	20% to 33.3%

The gain or loss 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.

Investment properties

A property interest that is held under an operating lease and that the property interest meets the definition of an investment property, which is property held to earn rentals and/or for capital appreciation, is stated at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in securities (Continued)

Where securities are held for trading purposes, unrealised gains and losses are included in the profit or loss for the year. For non-trading 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.

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.

Intangible assets

Intangible assets acquired separately are capitalised at cost at the date of acquisition. Following initial recognition, the cost model is applied. The useful lives of these intangible assets are assessed to be either infinite or indefinite. Where amortisation is charged on assets with finite useful lives, this expense is taken to the income statement through the "administrative expenses" line item.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

Income from provision of system integration services is recognised when the related integration services are rendered. Income from rendering of financial corporate advisory and underwriting services is recognised based on the stage of completion of the transaction, provided that the costs involved can be measured reliably. The stage of completion of a transaction associated with the rendering of financial services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.

Commission and brokerage income is accrued on all brokerage transactions on a trade date basis.

Income from trading of securities, bullion and futures contracts is accrued on a trade date basis.

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

Sales of completed properties are recognised on the execution of a binding sale agreement.

Sales of magazines are recognised when the magazines are delivered and title has passed.

Advertising income is recognised when the advertisements are published.

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

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

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 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets (other than goodwill) 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 SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

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 SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated 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 foreign 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 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 2004

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 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, and interests in joint ventures, 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.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits scheme

Payments to the Groups' retirement benefits schemes are charged as an expense as they fall due.

Leases

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

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Notes to the Financial Statements

For the year ended 31 December 2004

4. TURNOVER

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

	2004 HK\$'000	2003 HK\$'000
Sales of merchandise from trading and manufacturing business	1,940,159	1,999,604
Sales of air-tickets and travel-related services	1,461,904	1,078,401
Income from publishing and printing and the provision of related services	175,986	166,419
Income from securities and commodities brokerage	72,742	61,902
Interest income from margin financing and money lending operations	30,317	39,936
Service income from information and technology related business	64,332	37,378
Income from rendering of financial services	7,501	12,428
Rental income	13,008	10,518
Gain from securities, bullion and commodities trading, net	18,556	780
Sales of agricultural produce	1,127	504
	3,785,632	3,407,870

Notes to the Financial Statements

For the year ended 31 December 2004

5. FAIR VALUE OF LITCHI AND LONGAN FRUITS

Fair value and saleable output of litchi and longan fruits at the point of harvest are analysed as follows:

	2004 HK\$'000	2003 HK\$'000
Fair value less estimated point-of-sale costs:		
Litchi fruits	115	483
Longan fruits	8	21
	123	504
	Tons	Tons
Saleable output:		
Litchi fruits	76	81
Longan fruits	3	13
	79	94

6. RESTRUCTURING COSTS

The amount represented costs incurred in connection with the reorganisation of the Group's operations during the year ended 31 December 2003.

7. DISCOUNT ON ACQUISITION OF AN ADDITIONAL INTEREST IN A SUBSIDIARY

The amount represents the discount on further acquisition of approximately 9% interest of Wah Shing International Holdings Limited for a consideration of approximately HK\$22,000,000.

Notes to the Financial Statements

For the year ended 31 December 2004

8. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging (crediting):

	2004 HK\$'000	2003 HK\$'000
Allowance for inventories made (included in cost of sales) (<i>note</i>)	40,605	6,874
Amortisation of intangible assets included in administrative expenses	162	1,867
Auditors' remuneration	2,678	2,742
Cost of financial services provided	24,812	27,292
Depreciation and amortisation on		
– owned assets	43,838	60,941
– assets held under finance leases	6,445	1,348
Loss on disposal of property, plant and equipment	1,225	678
Staff costs (including directors' emoluments)	531,150	543,830
Dividend income from listed investments	(687)	(651)

Note: The amount represents a write-down of inventories to their estimated net realisable values.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2004 HK\$'000	2003 HK\$'000
Directors' fees:		
Executive	170	162
Non-executive	45	–
Independent non-executive	176	230
Other emoluments of executive directors		
Salaries and other benefits	5,849	12,953
Contributions to retirement benefits scheme	266	230
Total emoluments	6,506	13,575

Notes to the Financial Statements

For the year ended 31 December 2004

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The emoluments of the directors were within the following bands:

	2004 Number of directors	2003 Number of directors
Up to HK\$1,000,000	8	6
HK\$1,000,001 to HK\$1,500,000	–	2
HK\$1,500,001 to HK\$2,000,000	3	–
HK\$4,500,001 to HK\$5,000,000	–	1
HK\$5,000,001 to HK\$5,500,000	–	1
	11	10

(b) Employees' emoluments

Of the five highest paid individuals in the Group, two (2003: two) were directors of the Company whose emoluments are included the disclosures in note (a) above. The emoluments of the remaining three (2003: three) individuals were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	7,490	6,664
Contributions to retirement benefits scheme	426	10
	7,916	6,674

Notes to the Financial Statements

For the year ended 31 December 2004

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments (Continued)

Their remunerations were within the following bands:

	2004 Number of employees	2003 Number of employees
HK\$1,500,001 to HK\$2,000,000	–	2
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	2	–
HK\$3,000,001 to HK\$3,500,000	–	1
	3	3

During each of the two years ended 31 December 2004, 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.

10. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest expense on:		
– bank loans and overdrafts wholly repayable within five years	9,801	11,064
– finance leases	607	459
Total borrowing costs	10,408	11,523

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11. NET GAIN ON DISPOSAL OF A SUBSIDIARY

	2004 HK\$'000	2003 HK\$'000
Gain on disposal of SC Pharm	–	28,672

During the year ended 31 December 2003, Tianjin South China Pharmaceutical Company Limited (“SC Pharm”) ceased to be a subsidiary of the Group. As a result, a gain of HK\$28,672,000 was recognised in the consolidated income statement for the year ended 31 December 2003.

12. INCOME TAX EXPENSE

	2004 HK\$'000	2003 HK\$'000
Current tax		
Hong Kong Profits Tax		
Current year	5,575	8,187
(Over) underprovision in prior years	(1,604)	547
Other jurisdictions	1,270	904
	5,241	9,638
Deferred taxation (<i>note 37</i>)	2,191	(3,992)
Taxation attributable to the Company and its subsidiaries	7,432	5,646
Share of taxation attributable to associates	(552)	(1,481)
	6,880	4,165

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year. The PRC enterprise income tax is calculated at the rates prevailing in the relevant regions.

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For the year ended 31 December 2004

12. INCOME TAX EXPENSE (Continued)

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

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	192,815	148,017
Tax at the domestic income tax rate of 17.5% (2003: 17.5%)	33,743	25,903
Tax effect of share of results of associates	1,304	(444)
Tax effect of expenses that is not deductible in determining taxable profit	4,822	13,915
Tax effect of income that is not taxable in determining taxable profit	(30,505)	(36,512)
Tax effect of utilisation of tax losses not previously recognised	(12,176)	(8,917)
Tax effect of unrecognised deferred tax asset in respect of tax losses	10,567	9,275
Effect of different tax rates of operations in other jurisdictions	729	282
(Over) underprovision in prior year	(1,604)	663
Tax expense for the year	6,880	4,165

13. DIVIDEND

	2004 HK\$'000	2003 HK\$'000
Final dividend proposed – Nil (2003: HK0.55 cent per share)	–	10,029

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2004 (2003: HK0.55 cent).

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14. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$124,201,000 (2003: HK\$93,383,000) and on 1,823,401,000 shares (2003: 1,823,401,000 shares) in issue throughout the year.

No diluted earnings per share is presented for the year ended 31 December 2004 as there is no outstanding dilutive instrument.

No diluted earnings per share is presented for the year ended 31 December 2003 because the exercise price of the Company's warrants was higher than the average market price for shares.

15. BIOLOGICAL ASSETS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Reconciliation of carrying amounts of fruit trees:		
<u>Litchi fruit trees</u>		
Carrying amount at the beginning of the year	51,300	52,946
Gain arising from changes in fair value less estimated point-of-sale costs	115	3,032
Decrease due to harvest	(115)	(483)
Decrease due to write-off	–	(4,195)
Carrying amount at end of the year	51,300	51,300
<u>Longan fruit trees</u>		
Carrying amount at the beginning of the year	16,700	19,054
Gain arising from changes in fair value less estimated point-of-sale costs	8	852
Decrease due to harvest	(8)	(21)
Decrease due to write-off	–	(3,185)
Carrying amount at end of the year	16,700	16,700
Total carrying amount at end of the year	68,000	68,000

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15. BIOLOGICAL ASSETS (Continued)

	No. of trees '000	No. of trees '000
Quantities of fruit trees:		
Litchi fruit trees	333	333
Longan fruit trees	108	108
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	441	441

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16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Furniture and leasehold improvement HK\$'000	Machinery and equipment HK\$'000	Moulds and tools HK\$'000	Motor vehicles and vessels HK\$'000	Total HK\$'000
THE GROUP						
COST OR VALUATION						
At 1 January 2004	308,948	264,362	281,327	31,903	33,130	919,670
Exchange realignment	-	93	-	-	-	93
Acquisition of subsidiaries	2,422	503	303	871	41	4,140
Additions	3,146	23,543	18,449	2,972	3,327	51,437
Disposals	-	(6,907)	(16,751)	(8,680)	(1,880)	(34,218)
Transfer to investment properties	(17,435)	-	-	-	-	(17,435)
At 31 December 2004	297,081	281,594	283,328	27,066	34,618	923,687
Comprising:						
At cost	249,572	281,594	283,328	27,066	34,618	876,178
At valuation						
- 1988	31,112	-	-	-	-	31,112
- 1989	5,220	-	-	-	-	5,220
- 1992	204	-	-	-	-	204
- 1994	10,973	-	-	-	-	10,973
	297,081	281,594	283,328	27,066	34,618	923,687
DEPRECIATION AND AMORTISATION AND IMPAIRMENT						
At 1 January 2004	86,105	213,534	231,079	26,125	24,937	581,780
Exchange realignment	-	88	-	-	-	88
Provided for the year	9,047	21,871	13,651	2,993	2,721	50,283
Eliminated on disposals	-	(3,541)	(12,889)	(8,332)	(1,182)	(25,944)
Transfer to investment properties	(15,098)	-	-	-	-	(15,098)
At 31 December 2004	80,054	231,952	231,841	20,786	26,476	591,109
NET BOOK VALUES						
At 31 December 2004	217,027	49,642	51,487	6,280	8,142	332,578
At 31 December 2003	222,843	50,828	50,248	5,778	8,193	337,890

Notes to the Financial Statements

For the year ended 31 December 2004

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	2004 HK\$'000	2003 HK\$'000
Hong Kong		
– held under medium-term lease	79,875	84,456
– held under long-term lease	16,807	17,150
The PRC		
– held under medium-term land use rights	89,406	89,546
– in the process of applying land use rights	30,939	31,691
	217,027	222,843

Had 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 2004 would have been approximately HK\$214,000,000 (2003: HK\$220,000,000).

The net book value of the Group's plant and equipment includes an amount of HK\$25,372,000 (2003: HK\$17,771,000) in respect of assets held under finance leases.

Notes to the Financial Statements

For the year ended 31 December 2004

17. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
VALUATION	
At 1 January 2003	270,920
Transfer from land and buildings	848
Transfer to land and buildings	(24,966)
Gain arising from change in fair value	588
<hr/>	
At 31 December 2003	247,390
Transfer from land and buildings	2,337
Gain arising from change in fair value	77,528
<hr/>	
At 31 December 2004	327,255

Investment properties of the Group were valued at their open market value at 31 December 2004 by BMI Appraisals Limited, an independent firm of qualified valuers.

As at 31 December 2004, certain of the Group's investment properties with carrying value of approximately HK\$305,000,000 (2003: HK\$203,000,000) are rented out under operating leases.

The carrying amount of investment properties comprises:

	2004 HK\$'000	2003 HK\$'000
Hong Kong		
Medium-term leases	188,895	150,930
Long-term leases	128,700	86,800
	<hr/>	<hr/>
	317,595	237,730
The PRC		
Medium-term land use rights	9,660	9,660
	<hr/>	<hr/>
	327,255	247,390
	<hr/>	<hr/>

Notes to the Financial Statements

For the year ended 31 December 2004

18. LAND PENDING DEVELOPMENT

The land pending development of the Group is analysed as follows:

	2004 HK\$'000	2003 HK\$'000
Held under long-term leases in Hong Kong	13,402	13,402
Held under medium-term land use rights in the PRC	16,338	21,338
In the process of applying land use rights in the PRC	6,622	6,622
	36,362	41,362

In the opinion of the directors, certain land pending development in the PRC is still vacant and the relevant PRC authority may resume the land accordingly. Therefore an impairment loss of HK\$5 million is recognised in the income statement during the current year.

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	527,702	527,702
Loans to subsidiaries	277,718	290,142
	805,420	817,844

The loans to subsidiaries are unsecured and have no fixed repayment terms. Other than an amount of HK\$8,034,000 (2003: HK\$10,037,000) which carries interest at 3% above the Hong Kong prime lending rate, the remaining balances are interest-free. In the opinion of the directors, loans to subsidiaries will not be repayable within the next twelve months from the balance sheet date and accordingly, they are shown in the balance sheet as non-current.

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

Notes to the Financial Statements

For the year ended 31 December 2004

20. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets		
– Listed associate in Hong Kong	86,224	98,795
– Unlisted associates	44,012	33,908
	130,236	132,703
Less: Impairment loss recognised	(3,341)	(3,341)
	126,895	129,362
Advances to associates	293,626	300,662
Less: Allowance for advances to associates	(19,803)	(77,721)
	273,823	222,941
	400,718	352,303
Market value of the listed associate	57,059	68,471

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”) of approximately HK\$293,000,000 (2003: HK\$291,000,000) which carries interest at 0.5% per annum, the remaining balances are interest-free. A total guarantee amount of HK\$174,000,000, of which HK\$139,922,000 was utilised as at 31 December, 2004, is given by the Group to secure banking facilities granted and is to be matured in August 2008. The advances to FWIL and guarantee given were used to finance a property development project in Hong Kong.

Allowances for loans to associates of approximately HK\$58 million (2003: HK\$41 million) were written back during the year with reference to the valuation of the properties held by an associate performed by an independent professional qualified valuer.

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 2004 based on the valuation performed by an external qualified professional valuer.

Notes to the Financial Statements

For the year ended 31 December 2004

20. INTERESTS IN ASSOCIATES (Continued)

Financial position

	2004 HK\$'000	2003 HK\$'000
Investment property	1,410,000	1,250,000
Other assets	18,998	24,698
	1,428,998	1,274,698
Trade and other payables	(58,088)	(62,747)
Short-term bank borrowings	(21,137)	(14,000)
Long-term bank borrowings	(442,179)	(490,408)
Due to shareholders	(977,589)	(972,726)
	(1,498,995)	(1,539,881)
Net liabilities	(69,995)	(265,183)
Net liabilities shared by the Group	-	-

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

Notes to the Financial Statements

For the year ended 31 December 2004

21. LOANS AND ADVANCES RECEIVABLES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Loans and advances to clients	304,027	324,494
Allowance for bad and doubtful debts	(124,357)	(131,793)
	179,670	192,701
Market value of collaterals at 31 December	779,664	546,361

At the balance sheet date, certain assets of the clients were pledged as collaterals to secure banking facilities granted to the Group (note 43).

An analysis of the maturity profile of loans and advances to the clients, at the balance sheet date, net of allowance for bad and doubtful debts, by remaining periods to their contractual maturity dates is as follows:

	2004	2003
	HK\$'000	HK\$'000
Repayable:		
On demand	147,094	155,851
Within three months	7,736	12,394
More than three months but not exceeding one year	19,612	21,052
More than one year but not exceeding five years	5,228	3,404
	179,670	192,701
Analysed as:		
Non-current loans and advances receivables	5,228	3,404
Current loans and advances receivables	174,442	189,297
	179,670	192,701

Notes to the Financial Statements

For the year ended 31 December 2004

22. NON-TRADING SECURITIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Equity securities listed in Hong Kong, at market value	43,817	65,835

23. OTHER NON-CURRENT ASSETS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Berths and yacht club debentures	33,610	33,610
Club membership	2,275	2,275
Membership in Chinese Gold and Silver Exchange	1,280	1,280
Statutory deposits in respect of securities and commodities dealings	4,320	4,315
	41,485	41,480

24. INTANGIBLE ASSETS

	THE GROUP HK\$'000
COST	
At 1 January 2004 and 31 December 2004	1,619
AMORTISATION	
At 1 January 2004	621
Provided for the year	162
At 31 December 2004	783
NET BOOK VALUES	
At 31 December 2004	836
At 31 December 2003	998

Notes to the Financial Statements

For the year ended 31 December 2004

24. INTANGIBLE ASSETS (Continued)

The intangible assets represent trading rights are those relating to trading in stocks and futures in Hong Kong.

The amortisation period adopted for trading rights is 10 years on a straight line basis.

25. GOODWILL

	THE GROUP HK\$'000
COST	
At 1 January 2004	
– as previously reported	8,029
– adjustment on adoption of HKFRS 3 – elimination of accumulated amortisation	(3,036)
	<hr/> 4,993
Acquisition of subsidiaries	3,504
	<hr/>
At 31 December 2004	8,497
AMORTISATION	
At 1 January 2004	
– as previously reported	3,036
– adjustment on adoption of HKFRS 3 – written off against cost	(3,036)
	<hr/>
As restated and as at 31 December 2004	–
NET BOOK VALUES	
At 31 December 2004	8,497
	<hr/>
At 31 December 2003	4,993
	<hr/>

In the opinion of the directors, no material impairment loss is identified for goodwill as at 31 December 2004.

Notes to the Financial Statements

For the year ended 31 December 2004

26. NEGATIVE GOODWILL

	THE GROUP HK\$'000
GROSS AMOUNT	
At 1 January 2004	1,114
Adoption of HKFRS 3 – transfer to retained earnings (<i>note 2</i>)	(1,114)
<hr/>	
As restated and as at 31 December 2004	–
<hr/>	
CARRYING AMOUNT	
At 31 December 2004	–
<hr/>	
At 31 December 2003	1,114
<hr/>	

27. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Raw materials	126,671	99,029
Work-in-progress	118,937	106,313
Finished goods	83,947	66,137
<hr/>		
	329,555	271,479
<hr/>		

Included above are finished goods of HK\$13,430,000 (2003: HK\$9,449,000) carried at net realisable value.

The cost of inventories recognised as expenses in the consolidated income statement was approximately HK\$1,735 million (2003: HK\$1,775 million).

28. PROPERTIES HELD FOR SALE

The properties of the Group are situated in the PRC and are held under medium-term land use rights.

Notes to the Financial Statements

For the year ended 31 December 2004

29. TRADING SECURITIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Listed equity securities, at market value		
– Hong Kong	68,746	60,694
– Elsewhere	29	120
	68,775	60,814

30. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group are trade receivables of HK\$286,655,000 (2003: HK\$342,818,000) and their aged analysis is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 90 days	266,289	323,391
91 to 180 days	14,023	19,016
181 to 365 days	6,343	411
	286,655	342,818

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.

Notes to the Financial Statements

For the year ended 31 December 2004

31. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$471,445,000 (2003: HK\$518,051,000) and their aged analysis is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 90 days	349,207	408,034
91 to 180 days	93,539	82,991
181 to 365 days	15,892	15,304
Over 365 days	12,807	11,722
	471,445	518,051

32. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Short-term loans	166,777	139,827	–	–
Long-term loans	100,837	168,250	1,034	3,037
Bank overdrafts	51,168	63,575	7,000	7,000
Import trust receipts bank loans	88,773	66,943	–	–
	407,555	438,595	8,034	10,037
Analysed as:				
Secured	349,811	434,550	8,034	10,037
Unsecured	57,744	4,045	–	–
	407,555	438,595	8,034	10,037

Notes to the Financial Statements

For the year ended 31 December 2004

32. BANK BORROWINGS (Continued)

The maturity profile of the above loans and overdrafts is as follows:

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	332,400	336,430	8,034	8,999
More than one year but not exceeding two years	18,884	52,880	–	1,038
More than two years but not exceeding five years	56,271	27,549	–	–
Over five years	–	21,736	–	–
	407,555	438,595	8,034	10,037
<i>Less:</i> Amounts due within one year shown under current liabilities	(332,400)	(336,430)	(8,034)	(8,999)
Amounts due after one year	75,155	102,165	–	1,038

Notes to the Financial Statements

For the year ended 31 December 2004

33. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
THE GROUP				
Amounts payable under finance leases:				
Within one year	11,269	6,481	10,626	5,921
In the second to fifth year inclusive	9,346	9,398	9,065	8,933
	20,615	15,879	19,691	14,854
Less: Future finance charges	(924)	(1,025)	–	–
Present value of lease obligations	19,691	14,854	19,691	14,854
Less: Amount due for settlement within one year shown under current liabilities			(10,626)	(5,921)
Amounts due after one year			9,065	8,933

The average lease term is 3 to 5 years (2003: 3 to 5 years). For the year ended 31 December 2004, the average annual effective borrowing rates were 1.70% to 4.38% (2003: 1.85% to 4.25%). 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 dollars.

The fair value of the Group's lease obligations approximates to 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 2004

34. SHARE CAPITAL AND WARRANTS

(a) Share capital

	Number of ordinary shares	Nominal value HK\$'000
Ordinary shares of HK\$0.025 each		
Authorised:		
At 1 January 2003, 31 December 2003 and 31 December 2004	4,000,000,000	100,000
Issued and fully paid:		
At 1 January 2003, 31 December 2003 and 31 December 2004	1,823,401,376	45,584

(b) Warrants

Pursuant to a resolution passed at an extraordinary general meeting of the Company held on 22 July 2002, the Company made a bonus issue of 364,680,275 warrants ("2003 Warrants") to existing shareholders on the basis of one unit of subscription rights of the 2003 Warrants for every five shares held by the shareholders on the same day. Holders of the 2003 Warrants were entitled to subscribe in cash for ordinary shares in the Company at a subscription price of HK\$0.42 each (subject to adjustment) for each unit of 2003 Warrants held. The 2003 Warrants were exercisable at any time on or before 23 July 2003.

During the year ended 31 December 2003, none of the 2003 Warrants were exercised. All 2003 Warrants expired on 23 July 2003.

Notes to the Financial Statements

For the year ended 31 December 2004

35. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 January 2003	253,234	56	286,429	222,625	762,344
Net loss for the year	–	–	–	(47)	(47)
At 31 December 2003	253,234	56	286,429	222,578	762,297
Net loss for the year	–	–	–	(340)	(340)
Final dividend – 2003	–	–	–	(10,029)	(10,029)
At 31 December 2004	253,234	56	286,429	212,209	751,928

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 2004 amounted to approximately HK\$752,000,000 (2003: HK\$762,000,000).

36. ADVANCES FROM SHAREHOLDERS/MINORITY SHAREHOLDERS OF SUBSIDIARIES

The advances from shareholders/minority shareholders of subsidiaries 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 accordingly, they are shown in the balance sheet as non-current.

Notes to the Financial Statements

For the year ended 31 December 2004

37. 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.

	Accelerated tax depreciation HK\$'000	Provision not deductible for current tax HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2003	6,396	–	(5,643)	753
Charge (credit) to income	1,273	(2,765)	(2,500)	(3,992)
Effect of change in tax rate	600	–	(600)	–
At 31 December 2003	8,269	(2,765)	(8,743)	(3,239)
Charge (credit) to income	2,978	–	(787)	2,191
At 31 December 2004	11,247	(2,765)	(9,530)	(1,048)
			2004 HK\$'000	2003 HK\$'000
Deferred tax liabilities			1,744	753
Deferred assets			(2,792)	(3,992)
			(1,048)	(3,239)

At 31 December 2004, the Group has unused tax losses of HK\$1,407,254,000 (2003: HK\$1,411,951,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$54,457,000 (2003: HK\$49,960,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$1,352,797,000 (2003: HK\$1,361,991,000) due to the unpredictability of future profit streams.

Notes to the Financial Statements

For the year ended 31 December 2004

38. ACQUISITION OF SUBSIDIARIES

On 31 March 2004, the Group acquired the remaining 51% issued share capital of Deep Treasure Investments Limited ("Deep Treasure") for a consideration of HK\$5,500,000. Deep Treasure is an investment holding company. Its subsidiaries are principally engaged in the information and technology related services. Details of the acquisition are as follows:

	2004 HK\$'000	2003 HK\$'000
NET LIABILITIES ACQUIRED		
Property, plant and equipment	4,140	–
Interests in associates	835	–
Inventories	7,730	–
Trade and other receivables	10,632	–
Bank balances and cash	1,864	–
Trade and other payables	(9,426)	–
Bank borrowings	(6,165)	–
Amount due to group companies	(10,526)	–
Amount due to a minority shareholder of a subsidiary	(733)	–
Minority interests	(3,109)	–
	(4,758)	–
Reclassified from interests in associates	6,754	–
Goodwill on acquisition	3,504	–
Total consideration	5,500	–
SATISFIED BY		
Cash	500	–
Other receivables	5,000	–
	5,500	–
Net cash inflow from acquisition of subsidiaries is as follows:		
Bank balances and cash	1,864	–
Cash consideration paid	(500)	–
Net inflow of cash and cash equivalents in respect of acquisition of subsidiaries	1,364	–

The subsidiaries acquired during the year ended 31 December 2004 contributed HK\$49,697,000 to the Group's turnover and HK\$1,426,000 to the Group's profit from operations.

Notes to the Financial Statements

For the year ended 31 December 2004

38. ACQUISITION OF SUBSIDIARIES (Continued)

Pro forma unaudited Group's revenue and results

If the acquisition had been completed on 1 January 2004, unaudited Group's revenue and Group's profit attributable to the equity holders of the Company for the year ended 31 December 2004 would have been HK\$52,778,000 and HK\$2,195,000 respectively. The pro forma information is presented for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2004, nor is not intended to be a projection of future results.

39. RELATED PARTY DISCLOSURES

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

Name of related party	Nature of transaction	2004 HK\$'000	2003 HK\$'000
Associates	Interest income received (<i>note i</i>)	1,457	1,425
	Management fees received (<i>note iii</i>)	–	2,448
Jessica Publications Limited ("JPL") and Capital Publications Limited ("CPL")	Administrative service fees received (<i>note iii</i>)	2,196	1,472
	Color separation and photo processing fee received (<i>note iii</i>)	1,631	1,461
<i>(note ii)</i>	Phototaking services fees received (<i>note iii</i>)	258	509
	Rental income received (<i>note iii</i>)	481	412
	Marketing service fees received (<i>note iii</i>)	23	16

In the opinion of the directors, the above transactions were carried out in the usual course of business of the Group.

Notes:

- i. Interest was charged at 0.5% per annum on the outstanding advances to an associate.
- ii. Mr. Ng Hung Sang, Robert, a director of the Company, is also a director and substantial shareholder of JPL and CPL.
- iii. These transactions were carried out on terms determined and agreed by both parties.

Notes to the Financial Statements

For the year ended 31 December 2004

39. RELATED PARTY DISCLOSURES (Continued)

(b) Details of amounts due from a related company is as follows:

	Balance at 31.12.2004 HK\$'000	Balance at 1.1.2004 HK\$'000	Maximum amount outstanding during the year HK\$'000
CPL	182	16	182

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

CPL are beneficially owned by Mr. Ng Hung Sang, Robert, a director of the Company.

(c) The Group has provided a guarantee of HK\$174,000,000 (2003: HK\$174,000,000) to secure banking facilities granted to an associate.

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\$18,898,000 (2003: HK\$16,587,000).

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	
	2004 HK\$'000	2003 HK\$'000
Within one year	14,797	20,096
In the second to fifth year inclusive	29,021	39,366
Over five years	77,924	83,387
	121,742	142,849

Notes to the Financial Statements

For the year ended 31 December 2004

40. OPERATING LEASES ARRANGEMENTS (Continued)

The Group as lessee (Continued)

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

The Group as lessor

Property rental income earned of the Group during the year was HK\$13,007,000 (2003: HK\$10,518,000), net of outgoings of HK\$2,935,000. The properties are expected to generate rental yields of 5% on an ongoing basis. All of the properties held have committed tenants up to the next six years.

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	9,395	8,129
In the second to fifth year inclusive	7,892	6,515
	17,287	14,644

41. CAPITAL COMMITMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Capital expenditure contracted but not provided for in the financial statements in respect of:		
– Acquisition of property, plant and equipment	3,984	7,372
– Acquisition of land use rights	6,724	8,192
	10,708	15,564

As at 31 December 2004, the Company did not have any significant capital commitments.

Notes to the Financial Statements

For the year ended 31 December 2004

42. CONTINGENT LIABILITIES

Contingent liabilities not provided for in the financial statements comprise:

(i) *Guarantees to banks:*

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Guarantees to banks in respect of banking facilities utilised by Firm Wise Investment Limited	139,922	151,322
Undertaking to a former associate for banking facilities utilised by an associate	13,526	13,526
	153,448	164,848

(ii) *Outstanding litigations*

In the course of its normal business, the Group had 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. Accordingly, no provision has been made in the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2004

43. BANKING FACILITIES AND PLEDGES OF ASSETS

At the balance sheet date, certain of the Group's assets were pledged to secure the banking facilities granted to the Group, as follows:

	2004 HK\$'000	2003 HK\$'000
Net book value of assets pledged:		
Property, plant and equipment	138,172	188,068
Investment properties	298,575	151,630
Land pending development	16,338	16,338
Inventories	88,773	66,943
Bank deposits	19,950	13,400
	<hr/> 561,808	436,379
Market value of listed securities of the Group and certain collaterals of the clients of the Group placed on margin accounts in connection with the Group's securities and commodities brokerage business	333,379	280,753
	<hr/> 895,187	717,132

44. NON-CASH TRANSACTION

Additions to plant and equipment during the year amounting to HK\$18,915,000 (2003: HK\$16,488,000) were financed by new finance leases.

Notes to the Financial Statements

For the year ended 31 December 2004

45. SHARE OPTION SCHEMES

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

The Company, SCI and SCB share option schemes

In order to provide the Company, SCI 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 adoption of the share option schemes (the “Share Option Schemes”) at the respective annual general meetings held on 31 May 2002.

According to the Companies’ Share Option 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;

Notes to the Financial Statements

For the year ended 31 December 2004

45. SHARE OPTION SCHEMES (Continued)

The Company, SCI and SCB share option schemes (Continued)

- (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.

The Share Option Schemes will remain in force for a period of 10 years commencing on the date on which it became unconditional on 18 June 2002 (the "Effective Date").

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the respective Share Option Schemes to each participant in any 12-month period must not exceed 1% of the issued share capital of the respective Company for the time being respectively unless otherwise approved by the shareholders of the respective 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 Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer; (ii) the average closing price of the respective Company's shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the respective Company's share.

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

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For the year ended 31 December 2004

45. SHARE OPTION SCHEMES (Continued)

The Company, SCI and SCB share option schemes (Continued)

The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option 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 182,340,137 shares of the Company are available for issue under the Company's Share Option Scheme, which represents 10% of the issued share capital of the Company as at the date of this report.

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

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

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

No options have been granted under the Share Option Schemes. No valuation of share options was made as no option has been granted under the Share Option 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.

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For the year ended 31 December 2004

46. RETIREMENT BENEFITS SCHEMES (Continued)

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% and 5% to 7.5% respectively of the employee's basic salary. The employees are entitled to receive their entire contributions and the accrued interest thereon, and 100% of the employer's contributions and the accrued interest thereon upon retirement or leaving the employer after completing 10 years of service or at a reduced scale of between 20% to 90% after completing 2 to 9 years of service. The forfeited 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 was HK\$24,920,000 (2003: HK\$8,920,000) after deduction of forfeited contributions of HK\$711,000 (2003: HK\$1,641,000). At the balance sheet dates, there were no material forfeited contributions, which arose upon employees leaving the ORSO Scheme, available to reduce the contributions payable in future years.

47. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Notes to the Financial Statements

For the year ended 31 December 2004

47. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Principal activities are as follows:

- | | | |
|-----------------------------------|---|--|
| Trading and manufacturing | – | trade and manufacture of merchandise including toys, compressors, shoes, metal tooling, leather products, motor, machinery, capacitors, jewellery and clothing |
| Securities and financial services | – | securities, bullion and commodities brokerage and margin financing, money lending, securities trading, provision of corporate advisory and underwriting services |
| Travel and related services | – | sale of air-tickets and travel related products |
| Property development | – | property development and investment |
| Media and publications | – | publishing and printing businesses, marketing and promotional services |
| Information and technology | – | information and technology related business |
| Agricultural | – | cultivation of fruit trees and sales of fruits and fishes |
| Investment holding | – | investment holding and others |

Notes to the Financial Statements

For the year ended 31 December 2004

47. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Segment information about these business is presented below:

Income Statement

Year ended 31 December 2004

	Trading and manufacturing HK\$'000	Securities and financial services HK\$'000	Travel and related services HK\$'000	Property development HK\$'000	Media and publications HK\$'000	Information and technology HK\$'000	Agriculture HK\$'000	Investment holding HK\$'000	Total HK\$'000
REVENUE									
External sales	1,939,636	128,110	1,461,904	14,014	176,646	64,195	1,127	-	3,785,632
RESULTS									
Segment results before unrealised/realised gain (loss)	61,292	33,670	18,720	9,798	(10,235)	690	(3,989)	(5,690)	104,256
Depreciation and amortisation	(38,646)	(4,293)	(1,023)	(446)	(4,040)	(974)	(769)	(254)	(50,445)
Write back of (provision of) allowance for bad and doubtful debts	8,019	(7,428)	-	-	(2,457)	-	-	1,074	(792)
Gain on disposal of non- trading securities	-	-	-	-	-	-	-	(87)	(87)
Unrealised holding gain of trading securities	-	11,445	-	-	-	-	-	-	11,445
Discount on acquisition of an additional interest in a subsidiary	-	-	-	-	-	-	-	15,665	15,665
Impairment loss on land pending development	-	-	-	(5,000)	-	-	-	-	(5,000)
Write back of impairment loss recognised on non-trading securities	-	-	-	-	-	-	-	3,220	3,220
Gain from changes in fair value of investment properties	-	-	-	77,528	-	-	-	-	77,528
Gain arising from changes in fair value of fruit trees	-	-	-	-	-	-	123	-	123
Segment results	30,665	33,394	17,697	81,880	(16,732)	(284)	(4,635)	13,928	155,913
Finance costs									(10,408)
Share of results of associates	(12,871)	-	-	2,991	-	(728)	-	-	(10,608)
Allowance for advances to associates written back	-	-	-	57,918	-	-	-	-	57,918
Profit before taxation									192,815
Income tax expense									(6,880)
Profit before minority interests									185,935
Minority interests									(61,734)
Net profit for the year									124,201

Notes to the Financial Statements

For the year ended 31 December 2004

47. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Balance Sheet

At 31 December 2004

	Trading and manufacturing HK\$'000	Securities and financial services HK\$'000	Travel and related services HK\$'000	Property development HK\$'000	Media and publications HK\$'000	Information and technology HK\$'000	Agriculture HK\$'000	Investment holding HK\$'000	Total HK\$'000
ASSETS									
Segment assets	875,659	704,300	102,204	433,777	50,634	56,637	76,996	65,577	2,365,784
Interest in associates	126,686	-	-	272,278	-	1,754	-	-	400,718
Unallocated corporate assets									6,684
Consolidated total assets									2,773,186
LIABILITIES									
Segment liabilities	346,081	314,009	60,039	163,702	95,879	34,957	2,023	13,117	1,029,807
Unallocated corporate liabilities									375,359
Consolidated total liabilities									1,405,166

Other Information

Year ended 31 December 2004

	Trading and manufacturing HK\$'000	Securities and financial services HK\$'000	Travel and related services HK\$'000	Property development HK\$'000	Media and publications HK\$'000	Information and technology HK\$'000	Agriculture HK\$'000	Investment holding HK\$'000	Total HK\$'000
Capital additions	31,477	2,389	1,146	12	11,717	7,702	498	-	54,941
Allowance for inventories made	40,605	-	-	-	-	-	-	-	40,605

Notes to the Financial Statements

For the year ended 31 December 2004

47. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Income Statement

Year ended 31 December 2003

	Trading and manufacturing HK\$'000	Securities and financial services HK\$'000	Travel and related services HK\$'000	Property development HK\$'000	Media and publications HK\$'000	Information and technology HK\$'000	Agriculture HK\$'000	Investment holding HK\$'000	Total HK\$'000
REVENUE									
External sales	1,999,604	115,046	1,078,401	10,518	166,419	37,378	504	-	3,407,870
RESULTS									
Segment results before unrealised/realised gain (loss)	106,333	18,305	9,240	10,568	(4,358)	(4,070)	(6,960)	(25,805)	103,253
Depreciation and amortisation	(48,322)	(6,904)	(875)	(2,488)	(3,951)	(476)	(807)	(333)	(64,156)
Write back of allowance for bad and doubtful debts	15,988	(14,484)	674	(852)	-	-	(424)	48	950
Gain on disposal of non-trading securities	-	-	-	-	-	-	-	13,022	13,022
Unrealised holding gain of trading securities	-	33,875	-	-	-	-	-	-	33,875
Write back of impairment loss recognised on land and buildings	-	-	-	-	-	-	-	4,446	4,446
Impairment loss recognised on non-trading securities	-	-	-	-	-	-	-	(181)	(181)
Gain from changes in fair value of investment properties	-	-	-	588	-	-	-	-	588
Gain arising from changes in fair value of fruit trees	-	-	-	-	-	-	3,884	-	3,884
Segment results	73,999	30,792	9,039	7,816	(8,309)	(4,546)	(4,307)	(8,803)	95,681
Finance costs									(11,523)
Share of results of associates	(6,406)	-	-	3,014		(2,531)	-	-	(5,923)
Allowance for advances to associates written back	-	-	-	41,110		-	-	-	41,110
Net gain on disposal of subsidiaries									28,672
Profit before taxation									148,017
Income tax expense									(4,165)
Profit before minority interests									143,852
Minority interests									(50,469)
Net profit for the year									93,383

Notes to the Financial Statements

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47. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Balance Sheet

At 31 December 2003

	Trading and manufacturing HK\$'000	Securities and financial services HK\$'000	Travel and related services HK\$'000	Property development HK\$'000	Media and publications HK\$'000	Information and technology HK\$'000	Agriculture HK\$'000	Investment holding HK\$'000	Total HK\$'000
ASSETS									
Segment assets	893,477	694,447	125,189	313,409	53,957	10,099	73,415	107,726	2,271,719
Interest in associates	141,707	-	-	205,363	-	5,233	-	-	352,303
Consolidated total assets									2,624,022
LIABILITIES									
Segment liabilities	306,787	334,491	116,159	112,316	97,016	4,959	2,486	29,700	1,003,914
Unallocated corporate liabilities									384,430
Consolidated total liabilities									1,388,344

Other Information

Year ended 31 December 2003

	Trading and manufacturing HK\$'000	Securities and financial services HK\$'000	Travel and related services HK\$'000	Property development HK\$'000	Media and publications HK\$'000	Information and technology HK\$'000	Agriculture HK\$'000	Investment holding HK\$'000	Total HK\$'000
Capital additions	58,394	682	667	203	2,492	45	116	-	62,599
Allowance for inventories made	6,874	-	-	-	-	-	-	-	6,874

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Geographical segments

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

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

	Sales revenue by geographical market		Profit from operation by geographical market	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
The PRC, including Hong Kong	2,009,088	1,588,291	125,621	45,511
The United States of America	1,162,240	1,214,145	24,433	37,949
Europe	463,511	463,910	3,950	9,159
Japan	20,027	47,405	163	891
Others	130,766	94,119	1,746	2,171
	3,785,632	3,407,870	155,913	95,681

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		Additions to property, plant and equipment and intangible assets	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Hong Kong	1,486,186	1,445,522	18,994	10,296
The PRC	878,736	826,197	35,511	52,303
Macau	862	–	436	–
	2,365,784	2,271,719	54,941	62,599

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For the year ended 31 December 2004

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2004 are as follows:

Name of subsidiary	Place of incorporation or registration/ and operations	Class of share held	Issued and fully paid share capital/ registration capital	Percentage of issued capital held by the subsidiaries	attributable to the Group	Principal activities
					(note a)	
Buji Soft Toys Company (BVI) Limited	British Virgin Islands/ The PRC	Ordinary	US\$1,000	100%	46.6%	Manufacturer of toys
Buji Soft Toys Company Limited	Hong Kong	Ordinary Non-voting deferred shares (note b)	HK\$20 HK\$6,000,000	100%	46.6%	Trading in toys
Chongqing Fortuna Information Technology Co. Ltd. (note d)	The PRC	Registered capital	RMB3,330,000	88%	60.4%	Information and technology related business
Chongqing Incyber Opt. Int. Sci & Tech. Co. Ltd. (note d)	The PRC	Registered capital	RMB3,500,000	65%	48.6%	Information and technology related business
Chongqing South China Zenith Information Technology Co. Ltd. (note d)	The PRC	Registered capital	RMB20,000,000	60%	44.9%	Information and technology related business
Cophorne Holdings Corp.	Republic of Panama/ Hong Kong	Ordinary	US\$200	100%	46.6%	Property investment

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For the year ended 31 December 2004

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ and operations	Class of share held	Issued and fully paid share capital/ registration capital	Percentage of issued capital held by the subsidiaries	attributable to the Group (note a)	Principal activities
Guangdong Huaxing Fruit Development Co. Ltd. (note c)	The PRC	Registered capital	US\$6,305,688	100%	74.8%	Fruit plantation
Hong Kong Four Seas Tours Limited	Hong Kong	Ordinary Non-voting deferred shares (note b)	HK\$20,800,000 HK\$1,200,000	100%	74.8%	Sales of air tickets and provision of travel related services
Man Wah Trading Limited	Hong Kong	Ordinary	HK\$10,000	100%	46.6%	Investment in securities
Micon Limited	Hong Kong	Ordinary	HK\$2	100%	74.8%	Investment holding
Nanjing South China Bao Qing Jewellery Ltd. (note d)	The PRC	Registered capital	RMB5,500,109	65.5%	65.5%	Manufacturing and sale of ornaments and jewellery
Polyluck Trading Limited	Hong Kong	Ordinary	HK\$2	100%	74.6%	Property investment
Shenyang Hung Kai Sheng Yip Real Estate Development Company Limited (note e)	The PRC	Unpaid registered capital	US\$10,000,000	100%	46.6%	Real estate development and inactive during the year
Shenyang Shenglian Electronics Science & Technology Ltd. (note d)	The PRC	Registered capital	RMB4,000,000	70%	52.3%	Information and technology related business

Notes to the Financial Statements

For the year ended 31 December 2004

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ and operations	Class of share held	Issued and fully paid share capital/ registration capital	Percentage of issued capital held by the subsidiaries	Percentage of attributable capital to the Group (note a)	Principal activities
Shineway Investments Limited	Hong Kong	Ordinary	HK\$500,000	100%	74.8%	Trading of shoes
South China Brokerage Company Limited (listed on The Stock Exchange of Hong Kong Limited)	Hong Kong	Ordinary	HK\$121,549,774	74.6%	74.6%	Investment holding
South China Capital Limited	Hong Kong	Ordinary	HK\$2	100%	74.6%	Corporate finance advisory services
South China Commodities Limited	Hong Kong	Ordinary	HK\$10,000,000	100%	74.6%	Commodities broking
South China Finance and Management Limited	Hong Kong	Ordinary	HK\$2	100%	74.6%	Share dealing and provision of management services
South China Financial Credits Limited	Hong Kong	Ordinary	HK\$42,125,000	97.4%	72.7%	Money lending
South China Garments Company Limited	Hong Kong	Ordinary	HK\$500,000	100%	74.8%	Trading of garments
South China Industries Limited (listed on The Stock Exchange of Hong Kong Limited)	Cayman Islands/ Hong Kong	Ordinary	HK\$53,033,474	74.8%	74.8%	Investment holding

Notes to the Financial Statements

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ and operations	Class of share held	Issued and fully paid share capital/ registration capital	Percentage of issued capital held by the subsidiaries to the Group	(note a)	Principal activities
South China Leather Chemical Products Company (HK) Limited	Hong Kong	Ordinary	HK\$2	100%	74.8%	Trading of leather chemical products
South China Leesheng Sporting Goods Co., Limited	Hong Kong	Ordinary	HK\$2	100%	74.8%	Trading of sports products
South China Media Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Provision of publishing, marketing and promotional services
South China Research Limited	Hong Kong	Ordinary	HK\$600,000	100%	74.6%	Research publications
South China Securities Limited	Hong Kong	Ordinary	HK\$10,000,000	100%	74.6%	Securities broking and margin financing
South China Securities (UK) Limited	United Kingdom	Ordinary	GBP200,000	100%	74.6%	Provision of securities trading services
South China Shoes Products Company Limited	Hong Kong	Ordinary	HK\$500,000	100%	46.6%	Trading of shoes
South China Strategic Limited	Hong Kong	Ordinary	HK\$308,594,000	100%	74.8%	Investment holding

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ and operations	Class of share held	Issued and fully paid share capital/ registration capital	Percentage of issued capital held by the subsidiaries	Percentage of attributable capital to the Group (note a)	Principal activities
South China Strategic Property Development Limited	Hong Kong	Ordinary	HK\$5,000,000	100%	74.8%	Property development and investment holding
Spark-Inn Investments Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Property investment
Strategic Finance Limited	Hong Kong	Ordinary	HK\$2	100%	74.8%	Provision of financing services
Tek Lee Finance and Investment Corporation Limited	Hong Kong	Ordinary	HK\$287,498,818	100%	100%	Investment holding
The Express News Limited	Hong Kong	Ordinary	HK\$100,000	70%	70%	Investment holding
Tianjin Nan Hua Real Estate Development Co. Ltd. (note d)	The PRC	Registered capital	RMB43,000,000	51%	51%	Property development
Tianjin South China Leather Chemical Products Co. Ltd. (note d)	The PRC	Registered capital	RMB19,681,600	80%	59.8%	Manufacturing of leather products
Tianjin South China Li Sheng Sports Wears Co. Ltd. (note d)	The PRC	Registered capital	RMB9,940,167	80%	59.8%	Manufacturing of sports products
Tianjin South China Shoes Products Co. Ltd. (note d)	The PRC	Registered capital	RMB36,100,200	80%	37.3%	Manufacturing of leather footwear products
Wah Shing Electronics Company Limited	Hong Kong/ The PRC	Ordinary	HK\$571,500	70%	32.6%	Manufacturing of toys

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ and operations	Class of share held	Issued and fully paid share capital/ registration capital	Percentage of held by the subsidiaries	attributable to the Group (note a)	Principal activities
Wah Shing International Holdings Limited (listed on The Singapore Exchange Securities Trading Limited)	Bermuda/ Hong Kong	Ordinary	HK\$54,432,000	62.3%	46.6%	Investment holding
Wah Shing Toys Company Limited	Hong Kong	Ordinary Non-voting deferred shares (note b)	HK\$2 HK\$3,020,002	100%	46.6%	Trading in toys and investment holding

Notes:

- The principal subsidiaries of the Group are all held indirectly by the Company.
- The non-voting deferred shares have no voting rights and practically no entitlement to dividend of profit or distribution on winding up.
- This is a wholly foreign owned equity enterprise established in the PRC.
- These are sino-foreign owned equity joint ventures established in the PRC.
- The official registered name is 瀋陽鴻基盛業房地產開發有限公司 and Shenyang Hung Kai Sheng Yip Real Estate Development Company Limited is used for identification only.

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

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year ended 31 December 2004.

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49. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31 December 2004 are as follows:

Name of associate	Place of incorporation or registration/ operations	Class of share held	Proportion of nominal value of issued capital held	Principal activities
Firm Wise Investment Limited	Hong Kong	Ordinary	30%	Property development
Giant Riches Limited	Hong Kong	Ordinary	50%	Sale of properties
Giant Riches Mortgage Limited	Hong Kong	Ordinary	50%	Provision of mortgage financing
Nanjing South China Dafang Electric Co. Ltd.	The PRC	Registered capital	51%	Manufacturing of motors
Nority International Group Limited (listed on The Stock Exchange of Hong Kong Limited)	Cayman Islands/ The PRC	Ordinary	42.6%	Manufacturing of shoes and footwear products
Tianjin South China Tools (Holdings) Co. Ltd.	The PRC	Registered capital	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 net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.