

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 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 travel related services.

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. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation. Further details of the effect on adopting these new and revised standards are as follows:

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

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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. In the absence of specific transitional requirements in SSAP 36, the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. The accumulated profits for the years ended 31 December 2001 and 2002 have been increased by approximately HK\$20,381,000 and HK\$36,701,000 respectively and the effect of the change in policy on the Group's results for the year ended 31 December 2002 was the reduction of loss by approximately HK\$16,320,000. Had the biological assets been carried at cost less accumulated depreciation, the net profit for the year ended 31 December 2003 would have been reduced by HK\$942,000.

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 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 acquisitions 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 asset, 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 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.

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 on 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 depreciation 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 losses.

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 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.

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.

Trading rights

Trading rights are measured initially at cost and amortised on a straight line basis over their estimated useful lives.

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.

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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.

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 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.

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 borrowings 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.

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

Taxation

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, 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.

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 schemes are charged as an expense as they fall due.

Operating leases

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

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 trading and manufacturing business	1,999,604	1,577,028
Sales of air-tickets and travel-related services	1,078,401	44,747
Income from publishing and printing and the provision of related services	166,419	156,399
Income from securities and commodities brokerage	61,902	46,515
Interest income from margin financing and money lending operations	39,936	56,271
Service income from information and technology related business	37,378	83,793
Income from rendering of financial services	12,428	10,814
Rental income	10,518	11,680
Gain (loss) from securities, bullion and commodities trading, net	780	(12,267)
Sales of agricultural produce (note 5)	504	197
Sales of properties	—	5,428
	3,407,870	1,980,605

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For the year ended 31 December 2003

5. FAIR VALUE OF LITCHI AND LONGAN FRUITS

Fair value and saleable output of litchi and longan fruits are analysed as follows:

	2003 HK\$'000	2002 HK\$'000
Fair value less estimated point-of-sale costs:		
Litchi fruits	483	166
Longan fruits	21	31
	504	197
	Tons	Tons
Saleable output:		
Litchi fruits	81	67
Longan fruits	13	10
	94	77

6. RESTRUCTURING COSTS

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

Notes to the Financial Statements

For the year ended 31 December 2003

7. PROFIT (LOSS) FROM OPERATIONS

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

	2003 HK\$'000	2002 HK\$'000
Allowance for inventories made (written back)	6,874	(2,349)
Amortisation of intangible assets included in administrative expenses	1,867	1,493
Auditors' remuneration	2,742	2,977
Cost of financial services provided	27,292	25,992
Depreciation and amortisation on		
- owned assets	60,941	62,944
- assets held under finance leases	1,348	167
Loss on disposal of property, plant and equipment	678	416
Staff costs (including director's emoluments)	543,830	490,737
Dividend income from listed investments	(651)	(951)

Notes to the Financial Statements

For the year ended 31 December 2003

8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2003 HK\$'000	2002 HK\$'000
Directors' fees:		
Executive	162	160
Independent non-executive	230	190
Other emoluments of executive directors:		
Salaries and other benefits	12,953	6,723
Contributions to retirement benefits scheme	230	331
Total emoluments	13,575	7,404

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	3
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	—	2
HK\$2,000,001 to HK\$2,500,000	—	1
HK\$4,500,001 to HK\$5,000,000	1	—
HK\$5,000,001 to HK\$5,500,000	1	—
	10	7

Notes to the Financial Statements

For the year ended 31 December 2003

8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

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

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	6,664	8,037
Contributions to retirement benefits scheme	10	223
	6,674	8,260

Their remunerations were within the following bands:

	2003 Number of employees	2002 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 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.

Notes to the Financial Statements

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9. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest expense on:		
- bank loans and overdrafts wholly repayable within five years	11,064	14,715
- finance leases	459	120
- advances from related parties	—	267
Total borrowing costs	11,523	15,102

10. NET GAIN ON DISPOSAL OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Gain on disposal of SC Pharm (note i)	28,672	—
Gain on dilution and disposal of interest in SCIT (note ii)	—	91,201
Gain on dilution of interest in WSE (note iii)	—	8,956
Loss on disposal of other subsidiaries	—	(361)
	28,672	99,796

Notes:

- (i) During the year ended 31 December 2003, Tianjin South China Pharmaceutical Company Limited ("SC Pharm") ceased to be a subsidiary of the Group. The deconsolidation gave rise to a gain of approximately HK\$29,000,000.
- (ii) During the year ended 31 December 2002, the interest of South China Industries Limited ("SCI") in South China Information and Technology Limited (now known as "Geely Automobile Holdings Limited") ("SCIT") was diluted from 70.35% to 7.17% as a result of the subscription of new shares in SCIT by a new shareholder. The dilution gave rise to a deemed gain of approximately HK\$67,000,000. SCI later sold its remaining interest in SCIT and recorded an additional gain of approximately HK\$24,000,000.
- (iii) During the year ended 31 December 2002, SCI disposed of its interest in Wah Shing Electronics Company Limited ("WSE") to a wholly owned subsidiary of Wah Shing International Holdings Limited ("Wah Shing"). Consequently, SCI'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.

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11. INCOME TAX EXPENSE (CREDIT)

	2003 HK\$'000	2002 HK\$'000
Current tax		
Hong Kong Profits Tax		
Current year	8,187	760
Underprovision in prior years	547	624
Other jurisdictions	904	1,790
	9,638	3,174
Deferred taxation (note 36)	(3,992)	(577)
Taxation attributable to the Company and its subsidiaries	5,646	2,597
Share of taxation attributable to an associate	(1,481)	(3,716)
	4,165	(1,119)

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. Taxes on profits assessable in the PRC and elsewhere have been calculated at rates of taxation prevailing in the countries and the regions in which the Group operates.

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

	2003 HK\$'000	2002 HK\$'000
Profit (loss) before taxation	148,017	(223,430)
Tax at the domestic income tax rate of 17.5% (2002: 16%)	25,903	(35,749)
Tax effect of share of results of an associate	(1,481)	(3,716)
Tax effect of expenses that is not deductible in determining taxable profit	14,952	50,812
Tax effect of income that is not taxable in determining taxable profit	(36,512)	(122,250)
Tax effect of utilisation of tax losses not previously recognised	(8,917)	(5,556)
Tax effect of unrecognised deferred tax asset in respect of tax losses	9,275	114,224
Effect of different tax rates of operations in other jurisdictions	282	317
Underprovision in prior years	663	799
Tax expense (credit) for the year	4,165	(1,119)

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12. DIVIDEND

	2003 HK\$'000	2002 HK\$'000
Final dividend proposed - HK0.55 cent per share (2002: Nil)	10,029	—
Special dividends paid (Note)	—	3,608

Note:

During the year ended 31 December 2002, the board of directors paid a special dividend of approximately HK0.1371 cent to the then shareholders (HK\$2,500,000 in aggregate) in specie on the basis of one share of Jinchang Pharmaceutical Holdings Limited ("Jinchang"), a former wholly-owned subsidiary of the Company, for every eight shares held by the shareholders on 22 February 2002.

In addition, the board of directors paid another special dividend of approximately HK0.0608 cent to the then shareholders (HK\$1,108,000 in aggregate) in specie on the basis of one share of Capital Publications Limited ("CPL"), a former wholly-owned subsidiary of the Company, for every four shares held by the shareholders on 25 February 2002.

The entire issued share capital of Jinchang and CPL held by the Group were fully distributed in the above distributions.

13. BASIC EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the net profit for the year of HK\$93,383,000 (2002: net loss of HK\$170,650,000) and on 1,823,401,376 (2002: 1,823,401,376) shares in issue during the year.

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.

No diluted loss per share is presented for the year ended 31 December 2002 as it is anti-dilutive.

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14. BIOLOGICAL ASSETS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Reconciliation of carrying amounts of fruit trees:		
Litchi fruit trees		
Carrying amount at the beginning of the year	52,946	42,992
Gain arising from changes in fair value less estimated point-of-sale costs	3,032	10,934
Decrease due to harvest	(483)	(166)
Decrease due to write-off	(4,195)	(814)
Carrying amount at end of the year	51,300	52,946
Longan fruit trees		
Carrying amount at the beginning of the year	19,054	13,508
Gain arising from changes in fair value less estimated point-of-sale costs	852	5,605
Decrease due to harvest	(21)	(31)
Decrease due to write-off	(3,185)	(28)
Carrying amount at end of the year	16,700	19,054
Total carrying amount at end of the year	68,000	72,000
Gain arising from changes in fair value of fruit trees		
Litchi fruit trees	3,032	10,934
Longan fruit trees	852	5,605
	3,884	16,539
Loss on write-off of fruit trees		
Litchi fruit trees	4,195	814
Longan fruit trees	3,185	28
	7,380	842
	No. of trees	No. of trees
Quantities of fruit trees:		
Litchi fruit trees	333,098	361,763
Longan fruit trees	108,434	130,194
	441,532	491,957

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15. 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	Orchard HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP								
COST OR VALUATION								
At 1 January 2003	285,056	256,856	274,404	25,454	28,257	20,526	19,151	909,704
Effect on adoption of SSAP 36	—	—	—	—	—	(20,526)	(18,799)	(39,325)
	285,056	256,856	274,404	25,454	28,257	—	352	870,379
Exchange realignment	36	109	—	—	19	—	—	164
Additions	382	24,395	21,320	8,190	8,312	—	—	62,599
Disposals	—	(5,122)	(26,273)	(1,741)	(3,458)	—	(352)	(36,946)
Transfer from investment properties	24,966	—	—	—	—	—	—	24,966
Transfer to investment properties	(1,492)	—	—	—	—	—	—	(1,492)
Reclassifications	—	(11,876)	11,876	—	—	—	—	—
At 31 December 2003	308,948	264,362	281,327	31,903	33,130	—	—	919,670
Comprising:								
At cost	251,939	264,362	281,327	31,903	33,130	—	—	862,661
At valuation								
- 1988	31,112	—	—	—	—	—	—	31,112
- 1989	5,220	—	—	—	—	—	—	5,220
- 1991	9,500	—	—	—	—	—	—	9,500
- 1992	204	—	—	—	—	—	—	204
- 1994	10,973	—	—	—	—	—	—	10,973
	308,948	264,362	281,327	31,903	33,130	—	—	919,670
DEPRECIATION AND AMORTISATION AND IMPAIRMENT								
At 1 January 2003	65,740	197,383	233,204	23,752	26,072	4,026	—	550,177
Effect on adoption of SSAP 36	—	—	—	—	—	(4,026)	—	(4,026)
	65,740	197,383	233,204	23,752	26,072	—	—	546,151
Exchange realignment	18	93	—	—	11	—	—	122
Provided for the year	11,655	27,779	17,565	3,366	1,924	—	—	62,289
Eliminated on disposals	—	(5,260)	(26,151)	(993)	(3,070)	—	—	(35,474)
Impairment loss recognised	9,336	—	—	—	—	—	—	9,336
Transfer to investment properties	(644)	—	—	—	—	—	—	(644)
Reclassifications	—	(6,461)	6,461	—	—	—	—	—
At 31 December 2003	86,105	213,534	231,079	26,125	24,937	—	—	581,780
NET BOOK VALUE								
At 31 December 2003	222,843	50,828	50,248	5,778	8,193	—	—	337,890
At 31 December 2002	219,316	59,473	41,200	1,702	2,185	—	352	324,228

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	84,456	84,428
- held under long-term leases	17,150	—
The PRC		
- held under medium-term land use rights	18,194	26,577
- held under long-term land use rights	71,352	75,868
- in the process of applying land use rights	31,691	32,443
	222,843	219,316

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\$220,000,000 (2002: HK\$216,000,000).

The net book value of the Group's plant and equipment includes an amount of approximately HK\$17,771,000 (2002: HK\$1,744,000) in respect of assets held under finance leases.

Impairment loss of approximately HK\$9,336,000 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	270,920
Transfer from land and buildings	848
Transfer to land and buildings	(24,966)
Surplus on revaluation credited to the consolidated income statement	588
At 31 December 2003	247,390

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\$203,000,000 (2002: HK\$196,000,000) 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		
Medium-term leases	150,930	162,960
Long-term leases	86,800	98,300
	237,730	261,260
The PRC		
Medium-term land use rights	9,660	9,660
	247,390	270,920

17. LAND PENDING DEVELOPMENT

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

	2003 HK\$'000	2002 HK\$'000
Held under long-term leases in Hong Kong	13,402	13,402
Held under medium-term land use rights in the PRC	21,338	21,338
In the process of applying land use rights in the PRC	6,622	6,622
	41,362	41,362

Notes to the Financial Statements

For the year ended 31 December 2003

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	527,702	527,702
Loans to subsidiaries	290,142	287,211
	817,844	814,913

The loans to subsidiaries are unsecured and have no fixed repayment terms. Other than an amount of HK\$10,037,000 (2002: HK\$7,000,000) 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 51.

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	33,908	53,033
	132,703	161,120
Less: Impairment loss recognised	(3,341)	(3,341)
	129,362	157,779
Advances to associates	285,374	282,341
Less: Allowance for advances to associates	(62,433)	(103,543)
	222,941	178,798
	352,303	336,577
Market value of the listed associate	68,471	62,765

Notes to the Financial Statements

For the year ended 31 December 2003

19. INTERESTS IN ASSOCIATES (Continued)

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) by reference to the valuation of the properties held by the 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 2003 based on the valuation performed 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 52.

Notes to the Financial Statements

For the year ended 31 December 2003

20. LOANS AND ADVANCES RECEIVABLES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Loans and advances to clients	324,494	369,203
Allowance for bad and doubtful debts	(131,793)	(137,366)
	192,701	231,837
Market value of collaterals at 31 December	546,361	438,365

At the balance sheet date, certain collaterals of the clients were pledged to secure banking facilities granted to the Group (note 45).

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:

	2003 HK\$'000	2002 HK\$'000
Repayable:		
On demand	155,851	173,893
Within three months	12,394	27,269
More than three months but not exceeding one year	21,052	28,076
More than one year but not exceeding five years	3,404	2,599
	192,701	231,837
Analysed as:		
Non-current loans and advances receivables	3,404	2,599
Current loans and advances receivables	189,297	229,238
	192,701	231,837

Notes to the Financial Statements

For the year ended 31 December 2003

21. NON-TRADING SECURITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Equity securities listed in Hong Kong, at market value	65,835	42,666

22. OTHER NON-CURRENT ASSETS

	THE GROUP	
	2003 HK\$'000	2002 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	4,315	4,396
	41,480	41,561

23. INTANGIBLE ASSETS

	THE GROUP HK\$'000
TRADING RIGHTS	
COST	
At 1 January 2003 and 31 December 2003	1,619
AMORTISATION	
At 1 January 2003	459
Provided for the year	162
At 31 December 2003	621
NET BOOK VALUE	
At 31 December 2003	998
At 31 December 2002	1,160

The trading rights are those rights 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.

Notes to the Financial Statements

For the year ended 31 December 2003

24. 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.

25. 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

26. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	99,029	88,511
Work-in-progress	106,313	79,973
Finished goods	66,137	53,249
	271,479	221,733

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\$1,775 million (2002: HK\$1,568 million).

27. PROPERTIES HELD FOR SALE

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

28. TRADING SECURITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Listed securities, at market value		
- Hong Kong	60,694	38,342
- Elsewhere	120	514
	60,814	38,856

Notes to the Financial Statements

For the year ended 31 December 2003

29. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group are trade receivables of HK\$342,818,000 (2002: HK\$346,982,000) and their aged analysis is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within 90 days	323,391	317,872
91 to 180 days	19,016	27,258
181 to 365 days	411	1,852
	342,818	346,982

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.

30. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$518,051,000 (2002: HK\$482,364,000) and their aged analysis is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within 90 days	408,034	366,100
91 to 180 days	82,991	57,371
181 to 365 days	15,304	24,933
Over 365 days	11,722	33,960
	518,051	482,364

Notes to the Financial Statements

For the year ended 31 December 2003

31. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Short-term loans	139,827	99,117	—	—
Long-term loans	168,250	223,570	3,037	—
Bank overdrafts	63,575	65,272	7,000	7,000
Import trust receipts bank loans	66,943	84,830	—	—
	438,595	472,789	10,037	7,000
Analysed as:				
Secured	387,023	377,495	10,037	7,000
Unsecured	51,572	95,294	—	—
	438,595	472,789	10,037	7,000

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

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	336,430	369,977	8,999	7,000
More than one year but not exceeding two years	52,880	34,870	1,038	—
More than two years but not exceeding five years	27,549	37,271	—	—
Over five years	21,736	30,671	—	—
	438,595	472,789	10,037	7,000
Less: Amounts due within one year shown under current liabilities	(336,430)	(369,977)	(8,999)	(7,000)
Amounts due after one year	102,165	102,812	1,038	—

Notes to the Financial Statements

For the year ended 31 December 2003

32. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE GROUP				
Amounts payable under finance leases:				
Within one year	6,481	1,165	5,921	1,037
In the second to fifth year inclusive	9,398	1,791	8,933	1,631
	15,879	2,956	14,854	2,668
Less: Future finance charges	(1,025)	(288)	—	—
Present value of lease obligations	14,854	2,668	14,854	2,668
Less: Amount due for settlement within one year shown under current liabilities			(5,921)	(1,037)
Amounts due after one year			8,933	1,631

The average lease term is 3 to 5 years (2002: 4 to 4.5 years). For the year ended 31 December 2003, the average annual effective borrowing rates were 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 dollars.

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

33. 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 2002, 31 December 2002 and 31 December 2003	4,000,000,000	100,000
Issued and fully paid:		
At 1 January 2002, 31 December 2002 and 31 December 2003	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 each of the two years ended 31 December 2003, none of the 2003 Warrants had been exercised. All 2003 Warrants expired on 23 July 2003.

Notes to the Financial Statements

For the year ended 31 December 2003

34. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE COMPANY					
At 1 January 2002	253,234	56	286,429	227,402	767,121
Net loss for the year	—	—	—	(1,169)	(1,169)
Dividend paid (note 12)	—	—	—	(3,608)	(3,608)
At 31 December 2002	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

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\$762,000,000 (2002: HK\$762,000,000).

35. ADVANCES FROM ASSOCIATES/MINORITY SHAREHOLDERS

The advances from associates/minority shareholders of the Group 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 2003

36. DEFERRED TAXATION

THE GROUP

The followings 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 2002				
- as previously reported	—	—	—	—
- adjustment on adoption of SSAP 12 (Revised)	4,638	—	(4,638)	—
- as restated	4,638	—	(4,638)	—
Charge (credit) to income	1,758	—	(1,005)	753
At 31 December 2002	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)
			2003 HK\$'000	2002 HK\$'000
Deferred tax liabilities			8,269	6,396
Deferred tax assets			(11,508)	(5,643)
			(3,239)	753

At 31 December 2003, the Group has unused tax losses of approximately HK\$1,411,951,000 (2002: HK\$1,409,910,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$49,960,000 (2002: HK\$35,269,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$1,361,991,000 (2002: HK\$1,374,641,000) due to the unpredictability of future profit streams.

Notes to the Financial Statements

For the year ended 31 December 2003

37. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 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. Details of the acquisition are as follows:

	2003 HK\$'000	2002 HK\$'000
NET ASSETS ACQUIRED:		
Property, plant and equipment	—	2,441
Investment properties	—	2,100
Trade and other receivables	—	60,865
Pledged time deposit	—	10,000
Bank balances and cash	—	6,932
Trade and other payables	—	(58,722)
Bank overdrafts	—	(29,147)
	—	(5,531)
Goodwill on acquisition	—	6,031
Total consideration	—	500
SATISFIED BY		
Cash	—	500
Net cash outflow from acquisition of subsidiaries is as follows:		
Bank balances and cash	—	6,932
Bank overdrafts	—	(29,147)
Cash consideration paid	—	(500)
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	—	(22,715)

The subsidiaries acquired during the year ended 31 December 2002 contributed approximately HK\$44,747,000 to the Group's turnover and approximately HK\$1,494,000 to the Group's loss from operations.

Notes to the Financial Statements

For the year ended 31 December 2003

38. DISTRIBUTION OF SUBSIDIARIES IN SPECIE

	2003 HK\$'000	2002 HK\$'000
NET ASSETS DISTRIBUTED:		
Property, plant and equipment	—	9,494
Other non-current assets	—	1,531
Inventories	—	1,656
Trade and other receivables	—	13,493
Bank balances and cash	—	7,085
Trade and other payables	—	(6,477)
Amounts due to related companies	—	(4,238)
Short-term bank loans	—	(10,235)
Other non-current liabilities	—	(2,951)
Minority interests	—	(4,837)
Group's share of net assets disposed of	—	4,521
Capital reserve recognised on disposal	—	(913)
Total consideration	—	3,608
SATISFIED BY		
Dividend in specie	—	3,608
Cash outflow from distribution of subsidiaries is as follows:		
Bank balances and cash distributed	—	(7,085)

The subsidiary distributed during year ended 31 December 2002 had no significant contributions to the Group's turnover and loss from operations.

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For the year ended 31 December 2003

39. RECLASSIFICATION OF A SUBSIDIARY TO AN ASSOCIATE

During the year ended 31 December 2002, a subsidiary of the Company, South China (Tianjin) Garment Co. Ltd. ("TJ Garment") was reclassified from a subsidiary to an associate as the directors of the Company considered they can only exercise significant influence over TJ Garment and accordingly, TJ Garment was reclassified as an associate. Details of the reclassification are as follows:

	2003 HK\$'000	2002 HK\$'000
NET LIABILITIES RECLASSIFIED:		
Property, plant and equipment	—	7,098
Inventories	—	5,162
Trade and other receivables	—	3,876
Bank balances and cash	—	394
Trade and other payables	—	(13,943)
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

40. DISPOSAL OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
NET ASSETS DISPOSED OF:		
Land pending development	—	43,976
Property, plant and equipment	—	6,442
Inventories	—	15,978
Property held for sale	—	26,737
Trade and other receivables	3,307	13,629
Amount due from a related company	1,520	—
Bank balances and cash	—	12,668
Trade and other payables	(29,506)	(118,557)
Taxation	—	(524)
Short-term bank loans	(7,188)	—
Long-term bank loans	—	(1,464)
Minority interests	4,329	(35,118)
Transfer to interest in an associate	—	(1,270)
Group's share of net liabilities disposed of	(27,538)	(37,503)
PRC statutory reserve realised on disposal	(170)	(11)
Translation reserve realised on disposal	(964)	(1,158)
Net gain on disposal of subsidiaries	28,672	90,840
Total consideration	—	52,168
SATISFIED BY		
Cash	—	34,157
Other receivable	—	18,011
	—	52,168
Net cash inflow from disposal of subsidiaries is as follows:		
Bank balances and cash disposed of	—	(12,668)
Cash consideration received	—	34,157
Net cash inflow from disposal of subsidiaries	—	21,489

Notes to the Financial Statements

For the year ended 31 December 2003

40. DISPOSAL OF SUBSIDIARIES (Continued)

The subsidiary disposed of during the year ended 31 December 2003 had no significant contributions to the Group's turnover and profit from operations.

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

41. RELATED PARTY DISCLOSURES

(a) 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
Associates	Interest income received (note i)	1,425	2,453
	Management fees received (note iii)	2,448	3,320
Jessica Publications Limited ("JPL") and Capital Publications Limited ("CPL") (note ii)	Administrative service fees received (note iii)	1,472	2,363
	Color separation and photo processing fee received (note iii)	1,461	—
	Phototaking services fees received (note iii)	509	470
	Rental income received (note iii)	412	—
	Marketing service fees received (note iii)	16	—
	Underwriting and corporate finance services fees received (note iii)	—	1,298
	Staff costs received (note iii)	—	471

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% 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

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41 RELATED PARTY DISCLOSURES (Continued)

(b) Details of amounts due from related companies are as follows:

	Balance at 31.12.2003 HK\$'000	Balance at 1.1.2003 HK\$'000	Maximum amount outstanding during the year HK\$'000
JPL	—	35	35
CPL	16	—	16
	16	35	

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

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

(c) The Group had provided a guarantee of HK\$174,000,000 (2002: HK\$174,000,000) to secure banking facilities granted to an associate.

42. 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\$16,587,000 (2002: HK\$20,364,000).

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	20,096	14,339
In the second to fifth year inclusive	39,366	20,137
Over five years	83,387	67,050
	142,849	101,526

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.

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42. OPERATING LEASES ARRANGEMENTS (Continued)

The Group as lessor

Property rental income earned of the Group during the year was HK\$10,518,000 (2002: HK\$11,680,000), net of negligible outgoings (2002: Nil). 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	
	2003 HK\$'000	2002 HK\$'000
Within one year	8,129	11,742
In the second to fifth year inclusive	6,515	11,866
Over five years	—	2,051
	14,644	25,659

43. 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	7,372	7,372
- Acquisition of land use rights	8,192	8,192
	15,564	15,564
Capital expenditure in respect of properties under development authorised but not contracted for	—	22,282
	15,564	37,846

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

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44. CONTINGENT LIABILITIES

Contingent liabilities not provided for in the financial statements comprise:

(i) *Guarantees to banks:*

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Guarantees given to banks for banking facilities granted to an associate, FWIL	174,000	174,000
Undertaking to a former associate for banking facilities granted to an associate	23,250	23,250
	197,250	197,250

(ii) *Outstanding litigations*

- (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\$8,000,000. 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. Accordingly, no provision has been made in the financial statements.

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45. 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:

	2003 HK\$'000	2002 HK\$'000
Net book value of assets pledged:		
Property, plant and equipment	188,068	92,084
Investment properties	151,630	261,260
Land pending development	16,338	13,402
Inventories	66,943	81,522
Bank deposits	13,400	12,588
	436,379	460,856
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	280,753	318,148
	717,132	779,004

46. NON-CASH TRANSACTION

Addition to plant and equipment during the year amounting to approximately HK\$16,488,000 (2002: HK\$1,096,000) were financed by new finance leases.

47. 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:

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

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.

Notes to the Financial Statements

For the year ended 31 December 2003

47. SHARE OPTION SCHEMES (Continued)

(a) Old share option scheme of a subsidiary - SCB (Continued)

The exercise price was to be determined by the board of directors of SCB, and could not be less than (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 SCB's shares.

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

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

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

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

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47. SHARE OPTION SCHEMES (Continued)

(a) Old share option scheme of a subsidiary - SCB (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

Notes to the Financial Statements

For the year ended 31 December 2003

47. SHARE OPTION SCHEMES (Continued)

(b) *The SCH, SCI 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, 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 termination of the Companies' Old Schemes and the adoption of the new share option schemes (the "New Schemes") at the respective annual general meetings held on 31 May 2002.

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

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

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47. SHARE OPTION SCHEMES (Continued)

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

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 Scheme and the provisions of Chapter 17 of the Listing Rules which took effect from 1 September 2001 and the adoption of the New Schemes will not in any event affect the terms in respect of such outstanding options. The New Schemes will remain in force for a period of 10 years commencing on the date on which it became unconditional on 18 June 2002 (the "Effective Date").

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the respective New Schemes to each participant in any 12-month period must not exceed 1% of the issued share capital of the respective 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 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.

Notes to the Financial Statements

For the year ended 31 December 2003

47. SHARE OPTION SCHEMES (Continued)

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

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

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

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

48. RETIREMENT BENEFITS SCHEMES

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

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

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

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

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For the year ended 31 December 2003

48. RETIREMENT BENEFITS SCHEMES *(Continued)*

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\$8,920,000 (2002: HK\$12,056,000) after deduction of forfeited contributions of HK\$1,641,000 (2002: HK\$2,208,000). 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 payable in future years.

49. POST BALANCE SHEET EVENT

Up to the date of this report, SCI had further acquired approximately 9% of Wah Shing for a consideration of approximately HK\$22,000,000.

50. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into eight operating divisions - trading and manufacturing, securities and financial services, travel business, property development, media and publications, information and technology, agriculture and investment holding. 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
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
Agriculture	-	cultivation of fruit trees and sales of fruits
Investment holding	-	investment holding and others

Notes to the Financial Statements

For the year ended 31 December 2003

50. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Segment information about these business is presented below:

2003

INCOME STATEMENT

	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)
Surplus on revaluation 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									(5,923)
Allowance for advances to associates written back									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

For the year ended 31 December 2003

50. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

BALANCE SHEET

	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

	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

Notes to the Financial Statements

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50. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2002

INCOME STATEMENT

	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	1,577,028	101,333	44,747	17,108	156,399	83,793	197	—	1,980,605
RESULTS									
Segment results before									
unrealised/realised gain (loss)	94,128	(49,549)	4,444	7,521	(3,882)	(1,368)	(8,058)	(7,118)	36,118
Depreciation and amortisation	(46,483)	(9,315)	(2,434)	(373)	(4,969)	(562)	(445)	(23)	(64,604)
Allowance for bad and doubtful debts	(24,556)	(53,246)	—	—	—	—	—	(3,917)	(81,719)
Loss on disposal of non- trading securities	—	—	—	—	—	—	—	(57,960)	(57,960)
Unrealised holding loss of trading securities	—	(15,217)	—	—	—	—	—	—	(15,217)
Impairment losses recognised on non-trading securities	—	—	—	—	—	—	—	(38,979)	(38,979)
Deficit on revaluation of investment properties	—	—	—	(23,549)	—	—	—	—	(23,549)
Write back of land pending development	—	—	—	4,356	—	—	—	—	4,356
Gain arising from changes in fair value of fruit trees	—	—	—	—	—	—	16,539	—	16,539
Segment results	23,089	(127,327)	2,010	(12,045)	(8,851)	(1,930)	8,036	(107,997)	(225,015)
Finance costs									(15,102)
Share of results of associates									(8,109)
Allowance for advances to associates made									(75,000)
Net gain on disposal of subsidiaries									99,796
Loss before taxation									(223,430)
Income tax credit									1,119
Loss before minority interests									(222,311)
Minority interests									51,661
Net loss for the year									(170,650)

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For the year ended 31 December 2003

50. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

BALANCE SHEET

	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	888,646	540,414	80,036	346,869	58,846	12,626	76,081	73,883	2,077,401
Interest in associates	146,290	—	—	183,210	—	7,077	—	—	336,577
Consolidated total assets									2,413,978
LIABILITIES									
Segment liabilities	309,362	215,890	79,560	176,983	99,651	7,556	4,007	1,439	894,448
Unallocated corporate liabilities									409,584
Consolidated total liabilities									1,304,032

OTHER INFORMATION

	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	25,720	3,642	6,031	252	5,318	2,594	1,091	18	44,666

Notes to the Financial Statements

For the year ended 31 December 2003

50. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

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 (loss) from operation by geographical market	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The PRC including Hong Kong	1,588,291	483,315	45,511	(253,183)
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)
Others	94,119	53,689	2,171	912
	3,407,870	1,980,605	95,681	(225,015)

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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	1,797,825	1,686,015	10,296	26,348
The PRC	826,197	727,963	52,303	18,318
	2,624,022	2,413,978	62,599	44,666

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51. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2003 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
Buji Soft Toys Company (BVI) Limited	British Virgin Islands/ The PRC	Ordinary	US\$1,000	100%	39.8%	Manufacturer of toys
Buji Soft Toys Company Limited	Hong Kong	Ordinary Non-voting deferred shares (b)	HK\$20 HK\$6,000,000	100% —	39.8%	Trading in toys
Chongqing Incyber Opt. Int. Sci & Tech. Co. Ltd.	The PRC	Registered capital	Rmb3,500,000	65%	48.6%	Information and technology related business
Copthorne Holdings Corp.	Republic of Panama/ Hong Kong	Ordinary	US\$200	100%	39.8%	Property investment
Glorious Dragon Investments Limited	Hong Kong	Ordinary	HK\$2	100%	74.7%	Property investment
Global Trinity Properties Limited	Hong Kong	Ordinary	HK\$2	100%	74.7%	Property investment
Strategic Finance Limited (formerly known as Four Seas Capital Limited)	Hong Kong	Ordinary	HK\$2	100%	74.7%	Provision of financing services
Guangdong Huaxing Fruit Development Co. Ltd. (c)	The PRC	Registered capital	Rmb50,974,857	100%	74.7%	Fruit plantation
Hong Kong Four Seas Tours Limited	Hong Kong	Ordinary Non-voting deferred shares (b)	HK\$20,800,000 HK\$1,200,000	100%	74.7%	Sales of air tickets and provision of travel related services
Man Wah Trading Limited	Hong Kong	Ordinary	HK\$10,000	100%	39.8%	Investment in securities
Micon Limited	Hong Kong	Ordinary	HK\$2	100%	74.7%	Investment holding

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51. 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	Principal activities
Nanjing South China Bao Qing Jewellery Ltd. (d)	The PRC	Registered capital	Rmb3,083,200	60%	60%	Manufacturing and sale of ornaments and jewellery
Shenyang Shenglian Electronics Science & Technology Ltd. (d)	The PRC	Registered capital	Rmb4,000,000	70%	52.3%	Information and technology related business
Spark-Inn Investments Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Property investment
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
Polyluck Trading Limited	Hong Kong	Ordinary	HK\$2	100%	74.6%	Property investment
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	96.5%	72%	Money lending
South China Industries Limited (listed on The Stock Exchange of Hong Kong Limited)	Cayman Islands/ Hong Kong	Ordinary	HK\$53,033,474	74.7%	74.7%	Investment holding
South China Media Online Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Provision of e-commerce consultation and management services
South China Media Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Provision of publishing, marketing and promotional services

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51. 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	Principal activities
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 Strategic Limited	Hong Kong	Ordinary	HK\$308,594,000	100%	74.7%	Investment holding
South China Strategic Property Development Limited	Hong Kong	Ordinary	HK\$5,000,000	100%	74.7%	Property development and investment holding
Tek Lee Finance and Investment Corporation Limited	Hong Kong	Ordinary	HK\$287,498,818	100%	100%	Investment holding
Tianjin South China Leather Chemical Products Co. Ltd. (d)	The PRC	Registered capital	Rmb19,681,600	80%	59.8%	Manufacturing of leather products
Tianjin Nan Hua Real Estate Development Co. Ltd. (d)	The PRC	Registered capital	Rmb43,000,000	51%	51%	Property development
Tianjin South China Shoes Products Co. Ltd. (d)	The PRC	Registered capital	Rmb36,100,200	80%	31.9%	Manufacturing of leather footwear products
South China Garments Company Limited	Hong Kong	Ordinary	HK\$500,000	100%	74.7%	Trading of garments
South China Shoes Products Company Limited	Hong Kong	Ordinary	HK\$500,000	100%	39.8%	Trading of shoes
South China Leesheng Sporting Goods Co., Limited	Hong Kong	Ordinary	HK\$2	100%	74.7%	Trading of sports products
South China Leather Chemical Products Company (HK) Limited	Hong Kong	Ordinary	HK\$2	100%	74.7%	Trading of leather chemical products

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51. 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	Principal activities
The Express News Limited	Hong Kong	Ordinary	HK\$10,000	70%	70%	Investment holding
Tianjin South China Li Sheng Sports Wears Co. Ltd. (d)	The PRC	Registered capital	Rmb9,940,167	80%	59.8%	Manufacturing of sports products
Wah Shing Electronics Company Limited	Hong Kong/ The PRC	Ordinary	HK\$571,500	70%	27.9%	Manufacturing of toys
Wah Shing International Holdings Limited (listed on The Singapore Exchange Securities Trading Limited)	Bermuda/ Hong Kong	Ordinary	HK\$54,432,000	53.3%	39.8%	Investment holding
Wah Shing Toys Company Limited	Hong Kong	Ordinary Non-voting deferred shares (b)	HK\$2 HK\$3,020,002	100%	39.8%	Trading in toys and investment holding

Notes:

- a. 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. This is a wholly foreign owned equity enterprise established in the PRC.
- d. These are sino-foreign owned equity joint ventures established in the PRC.

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

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 2003.

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52. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31 December 2003 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%	Property development
Giant Riches Mortgage Limited	Hong Kong	Ordinary	50%	Property mortgage
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%.

All the above associates are indirectly held by the Company.

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.