

*Annual Report* 03  
二零三年年報

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SHELL ELECTRIC MFG. (HOLDINGS) CO. LTD.

# CONTENTS

Notice of Annual General Meeting	2 – 8
Corporate Information	9
Chairman’s Statement	14 – 16
Financial Review	17 – 18
Brief Biographical Details of Directors and Senior Management Staff	19 – 20
Directors’ Report	21 – 25
Auditors’ Report	26
Consolidated Income Statement	27
Consolidated Balance Sheet	28
Balance Sheet	29
Consolidated Statement of Changes in Equity	30
Consolidated Cash Flow Statement	31 – 32
Notes to the Financial Statements	33 – 77
Financial Summary	78
Particulars of Major Properties	79 – 80

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the annual general meeting of Shell Electric Mfg. (Holdings) Company Limited (“the Company”) will be held at Concord Room II-III, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong, on Thursday, 13th May, 2004 at 12:00 noon for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and of the auditors for the year ended 31st December, 2003.
2. To declare a final dividend.
3. To elect directors and to fix their directors’ fees.
4. To appoint auditors for the ensuing year and to authorise the directors to fix their remuneration.

As special business, to consider and if thought fit, pass the following resolution as Ordinary Resolutions:–

5. **“THAT:–**
  - (a) subject to paragraph (b) of this resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time and is hereby generally and unconditionally approved;
  - (b) the aggregate nominal amount of the shares of the Company which may be repurchased pursuant to the approval in paragraph (a) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
  - (c) for the purposes of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:–
    - (i) the conclusion of the next annual general meeting of the Company;
    - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to be held; or
    - (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing the authority given to the Directors of the Company by this resolution.”
6. **“THAT:–**
  - (a) subject to paragraph (c) of this resolution and pursuant to Section 57B of the Companies Ordinance, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

- (b) the approval in paragraph (a) of this resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) the exercise of any rights of subscription or conversion under any existing warrants, bonds, debentures, notes and other securities issued by the Company which carry rights to subscribe for or are convertible into shares of the Company; or (iii) an issue of shares in the Company upon the exercise of options granted under any share option scheme or any similar arrangement for the time being adopted for the grant or issue to the grantees as specified in such scheme or similar arrangement of shares or rights to acquire shares in the Company; or (iv) any scrip dividend scheme or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Memorandum and Articles of Association of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution:–

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to be held; or
- (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing the authority given to the Directors of the Company by this resolution; and

“Rights Issue” means an offer of shares of the Company or issue of options, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to the holders of shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares of the Company (or, where appropriate, such other securities), (subject in all cases to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

- 7. “**THAT** subject to the passing of Ordinary Resolutions Nos. 5 and 6 set out in the notice convening this meeting, the general mandate granted to the Directors of the Company to exercise the powers of the Company to allot, issue and deal with any additional shares of the Company pursuant to Ordinary Resolution No.6 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No.5 set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution.”

As special business to consider and if thought fit, pass the following resolution as a Special Resolution:–

8. **“THAT** the articles of association of the Company be and are hereby amended in the following manner:–

**(a) Article 2**

- (i) by deleting the definition of “associate” in its entirety and substituting therefor the following new definition and its marginal note immediately after the definition of “these Articles” or “these presents”:

“associates”, in relation to any Director, shall mean:–

Associate.

- (i) his spouse;
- (ii) any child or step-child, natural or adopted, under the age of 18 years of the Director or of his spouse (together with (i) above, the “family interests”);
- (iii) the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object and any company (“trustee-controlled company”) in the equity capital of which the trustees, acting in their capacity as such trustees, are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the “trustee interests”);
- (iv) a holding company of a trustee-controlled company or a subsidiary of any such holding company; and
- (v) any company in the equity capital of which he, his family interests, any of the trustees referred to in paragraph (iii) above, acting in their capacity as such trustees, and/or any trustee interests taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the Board of Directors and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company;
- (ii) by adding the words “for Administration” after the words “Chief Secretary” in the definition of “newspaper”.

**(b) Article 16**

by deleting Article 16 in its entirety and substituting therefor the following Article and its marginal note:–

16. Every person whose name is entered as a member in the register shall be entitled to receive within such period of time as may be prescribed by the Companies Ordinance or the Listing Rules after allotment or lodgement of a transfer (or within such other period as the conditions of issue shall provide) one certificate for all his shares or, if he so request, in a case where the allotment or transfer is of a number of shares in excess of the number

Share  
certificates.

for the time being forming the stock exchange board lot, upon payment, (i) in the case of an allotment, of a fee not exceeding such maximum amount as may from time to time be prescribed by the Listing Rules for every certificate after the first; or (ii) in the case of a transfer, of a fee not exceeding such maximum amount as may from time to time be prescribed by the Listing Rules for every certificate, such number of certificates for shares in stock exchange board lots or multiples thereof as he shall request and one for the balance (if any) of the shares in question, provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue a certificate or certificates to each such person, and the issue and delivery of a certificate or certificates to one of several joint holders shall be sufficient delivery to all such holders.

**(c) Article 43**

by deleting the words “without charge” after the words “issued” and “him” in the third line and fifth line of Article 43 and substituting therefor the words “with a fee as prescribed by the Listing Rules” respectively.

**(d) Article 74**

- (i) by inserting the words “unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or” before the word “unless” in the second line of the first paragraph of Article 74.
- (ii) by inserting the words “a poll is so taken as required under the Listing Rules or any other applicable laws, rules or regulations or unless” after the word “Unless” at the beginning of the second paragraph of Article 74.

**(e) Article 84**

by adding the following new paragraph and its marginal note as Article 84(C):

(C) Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.	Voting in contravention to Listing Rules.
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**(f) Article 95**

by adding the following new paragraph immediately after paragraph (D) of Article 95:–

(E) An alternate Director shall be deemed to be the agent of the Director who appoints him. A Director who appoints an alternate Director shall be vicariously liable for any tort committed by the alternate Director while acting in the capacity of alternate Director.

**(g) Article 101(A)**

by deleting the words “a special resolution” in paragraph (vii) of Article 101(A) and substituting therefor the words “an ordinary resolution”.

### (h) Article 102

by deleting Articles 102(H), 102(I), 102(J) and 102(K) in their entirety and substituting therefor the following:–

(H) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract, arrangement or proposal in which he or any of his associates, to the knowledge of such Director has a material interest, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum on such resolution of the Board, but this prohibition shall not apply to any of the following matters namely:–

- (i) any contract or arrangement for the giving by the Company of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture holders or to the public which does not provide the Director or his associate(s) any privilege not accorded to any other members or debenture holders or to the public;
- (iv) any contract, arrangement or proposal concerning an offer of the shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (vi) any contract, arrangement or proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director and/or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5 per cent. or more of the issued shares or voting rights of any class of shares of such company (or of any third company through which his interest or that of his associates is derived);
- (vii) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s) any privilege not generally accorded to the employees to whom such scheme or fund relates; and
- (viii) any proposal or arrangement concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of the employees of the Company or any of its subsidiaries under which the Director or his associate(s) may benefit.

(I) A company shall be deemed to be a company in which a Director and/or his associate(s) own(s) 5 per cent. or more if and so long as (but only if and so long as) he and/or his associate(s) is/are (either directly or indirectly) the holder(s) of or beneficially interested in 5 per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights available to members of such company. For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.

(J) Where a company in which a Director and/or his associate(s) hold(s) 5 per cent. or more is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.

(K) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall be counted in the quorum but shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.

**(i) Article 107**

by deleting Article 107 in its entirety and substituting therefor the following Article and its marginal note:-

<p>107. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days. The period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.</p>	<p>Notice to be given when person proposed for election.</p>
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**(j) Article 109**

- (i) by deleting the words "special resolution" in the first line of Article 109 and substituting therefor the words "ordinary resolution".
- (ii) by deleting the words "special resolution" in the third line of its marginal note and substituting therefor the words "ordinary resolution".



**(k) Article 183**

- (i) by inserting the words "or auditors" after the words "officer" and "officer" in the first line and fifth line of paragraph (A) of Article 183 respectively.
- (ii) by deleting the words "paragraph (c) of the proviso to Section 165 of the Companies Ordinance" immediately after the word "in" in the third line of paragraph (A) of Article 183 and substituting therefor the words "Section 165(2) of the Companies Ordinance".

**(l) new Article 184**

by adding the following new Article and marginal notes immediately after Article 183(B):–

184. The Company shall have power to purchase and maintain for any director or other officer or auditors of the Company – Liability insurance.

- (i) insurance against any liability to the Company, a related company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to the Company or a related company; and
- (ii) insurance against any liability incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to the Company or a related company.

For the purpose of this Article 184, "related company" means any company which is the Company's subsidiary or holding company or a subsidiary of the Company's holding company."

By Order of the Board  
**Peter LEE Yip Wah**  
*Secretary*

Hong Kong, 8th April, 2004

*Registered office:*  
Shell Industrial Building  
12 Lee Chung Street  
Chai Wan Industrial District  
Hong Kong

*Notes:–*

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more than one proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's registered office, Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
3. The register of members of the Company will be closed from Monday, 10th May, 2004 to Thursday, 13th May, 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Standard Registrars Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 7th May, 2004.
4. With regard to items 5 to 8 set out in this notice, a circular giving details of the amendments of the Articles of Association and general mandates to repurchase and issue shares will be despatched to the shareholders together with the Company's Annual Report 2003.
5. This notice will also be available for viewing on the website of each of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company at [www.smc.com.hk](http://www.smc.com.hk) from 8th April, 2004

## DIRECTORS

Mr. Billy Yung Kwok Kee (*Group Chairman & Managing Director*)

Dr. Yung Yau (*Honorary Chairman*)

\*\* Cav Gr Cr, Dr. Leo Tung-Hai Lee, GBS, OBE,  
Chev Leg d'Hon, Comm Leopold II, LLD, JP

\*\* Mr. Shiu-Kit Ngai, SBS, OBE, JP

\*\* Mr. Peter Wong Chung On  
Madam Yung Ho Wun Ching

Mr. Leung Chun Wah

Mr. Plato Poon Chak Sang

\* Mr. Simon Yung Kwok Choi

(\* *Non-Executive Director*)

(\*\* *Independent Non-Executive Directors*)

## BANKERS

Bank of America, N.A.

The Hongkong & Shanghai Banking Corporation Limited

Hang Seng Bank Limited

Bank of China, Hong Kong Branch

China Construction Bank, Hong Kong Branch

## SOLICITORS

Woo, Kwan, Lee & Lo

## COMPANY SECRETARY

Mr. Peter Lee Yip Wah

## REGISTERED OFFICE

Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong

## AUDITORS

Deloitte Touche Tohmatsu

## SHARE REGISTRARS

Standard Registrars Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong

# Appeon

Appeon software and technology development centre in Shenzhen, China





Optical product manufacturing line

# SMC multi-Media



Manufacturing clean room

Galactic Computing's exhibition at CeBIT Asia 2003



Galactic Computing Research & Development Centre in Shenzhen, China



Galactic Computing Scalable Blade Server

# Galactic



# Chairman's Statement

## PROFIT FOR THE YEAR

The Group's audited consolidated net profit after taxation for the year ended 31st December, 2003 amounted to HK\$87,819,000. Earnings per share were 19.80 cents.

## DIVIDEND

The Board recommends the payment of a final dividend of 7 cents per share, payable to shareholders whose names appear in the Register of Members of the Company on 13th May, 2004. This dividend, together with the interim dividend of 3 cents per share already paid, will make a total distribution of 10 cents per share for the full year. Subject to shareholders' approval at the Annual General Meeting to be held on 13th May, 2004, warrants for the final dividend will be posted on 18th May, 2004.

The register of members of the Company will be closed from Monday, 10th May, 2004 to Thursday, 13th May, 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Standard Registrars Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 7th May, 2004.

## BUSINESS REVIEW

### Electric Fans: Ceiling Fans and Table Fans

Sales of the Group's electric fans has maintained growth this year, attributable to higher growth from North American, European and Asian markets whereas Middle East and African markets are stable. As a result of higher manufacturing cost due to price increases of raw materials since the second half of 2003 together with reduction in China export tax refund in 2004, we expect that business will be affected next year.

Sales of the Group's table fans increased over last year due to higher growth in the North American market. Price increase in raw materials is expected to continue next year and, as selling price is still under pressure, sales of table fans will be difficult next year.

### Vacuum Cleaners

The performance of this product division has improved substantially in the 2nd half of the year. The ODM contract manufacturing has lifted the volume enabling the division to achieve a profit for the full year. We expect the sales of this business unit will continue to grow in 2004 despite the higher costs in plastic and metal.

### Optics and Imaging

The laser scanner EMS business continues to grow healthily. The new models were successfully tested and are going into volume production. We are planning to double the production capacity and extend the clean room facility in the second half of 2004. The pilot run of fuser unit was successful. We expect the product volume and yield rate will continue to improve in 2004. This high-tech, high precision, instant-on component will bring in promising sustainable business growth in the next few years.

### Electric Wire and Cable

There was a slight increase in business turnover over last year for the Group's 98% interests in Guangdong Macro Cables Company Limited. Although selling price had increased commensurate with the price increases of major raw materials during the year, turnover had eased. The company had planned to implement reorganization and cost control measures in 2004 for improving profitability.

### Stainless Steel Welded Tubes Products

The Group holds 90.1% equity interests in Shunde Hua Feng Stainless Steel Welded Tubes Limited. Although loss was recorded after depreciation charges on the plant and machinery, the overall business performance has improved over last year with a balanced cash flow position. As the global price increase of stainless steel continues to rise and the market is flooded with low grade welded steel tubes, business environment will become more difficult. Developing overseas markets and enhancing customers' relationships are expected to improve business performance.

## Steel Processing and Steel Trading

Improved results over the prior year were recorded by the Group's 70% owned joint venture steel-processing business with Shinsho Corporation of Japan in Guangzhou China. Due to sharp increases in steel prices during the second half of 2003, market supply reduced thus resulting in an over demand situation. In March 2004, the Group has entered into an agreement for the sale of its 70% interest in the steel processing and steel trading business to an independent third party. The strategic divestiture is in line with the Group's strategy to rationalize its non-core activities and to consolidate resources to strengthen its strategic market positions in its core businesses.

## Taxi Operation

The Group holds 95% equity interest in Guangzhou SMC Car Rental Company Limited which was awarded in 2003 one of the "Ten Best Taxi Operators in Guangzhou". The expected rapid economic growth in Guangzhou will have a positive impact on taxi operation and the company has already established new management system in mid 2003 to cope with the company's growing business requirements.

## Real Estate Investment & Development

The Group holds Hong Kong Construction SMC Development Limited which owns property investment portfolio in CITIC Plaza at Tien He District Guangzhou, a property complex comprising an 80-storey Grade A office building, two 38-storey deluxe service apartment blocks and a shopping arcade. By the end of 2003, the Group's wholly-owned and jointly-owned holding of investment interests in CITIC Plaza represented attributable share of office premises and shopping arcade for 24,000 and 6,800 square meters (after revaluation) respectively. The Group's interest in rental income has still increased by 28% over last year despite the impact of SARS in the 1st half of 2003.

The Group's wholly-owned 30,000 square meters hi-tech facility in Shenzhen continues to provide long-term leasing income under a 10-year lease till beginning of year 2011.

The total rental income of the Group's office complex in Livermore, California has increased by approximately 10% despite slow economic growth in the Silicon Valley. We expect to sign up a few more tenants in 2004 to boost up the rental income.

## Liang Xing Highway

In compliance with local Government's measures, the Group's 52% interest in Shunde Shunyue Highway Construction Limited had suspended collection of tolls at its Xin Cong Bridge toll station since 15th March, 2003 and has been receiving temporary monthly compensation based on 90% of the average monthly tolls in 2002. After prolonged discussions with the local Government departments regarding compensation, the Group has recently entered into both a share transfer agreement and loan repayment agreement on 20th February, 2004 with Shunde City Heng Shun Communication Investment Management Corporation. Under the aforesaid agreements, the Group is entitled to receive RMB429,762,220.33 (HK\$405,020,000 equivalent approximately) up to 31st December, 2003, of which RMB80,820,172.22 (HK\$76,170,000 equivalent approximately) will be received in U.S. Dollars at an exchange rate quoted on the payment date. Upon completion of the agreements, the relevant income will be recorded in 2004. For details regarding the transfer of shares and loan repayment agreements, please refer to the circular issued to the shareholders on 11th March, 2004.

## Technology Investment Projects

### *Internet Automatic Migration Software for Enterprises*

The Group's 72.45% equity interest in Apeon Corporation has successfully launched a more versatile version of Apeon 2.7 Power Builder software. The company has received sale orders upon launching of the software by Sybase in the world market in 2003. The company employed 260 software engineers by the end of 2003 and has formed a task force to continue working with one of the world's largest corporations for developing translation software under a new platform.



### *Internet Server*

The Group's investment in Galactic Computing Corporation has started pilot production in Shenzhen China in 2003. The prototype server had been installed in customers' computer centers for trial run. By the end of 2003, the company has signed up a number of distribution networks for sales within China and received the first orders (including Taiwan). To cope with business expansion, the company has planned to enhance its research and development, sales and supporting teams and has embarked on the development of advanced server products equipped with salient features.

### *System Integration and Software Development*

The Group's 28% equity interest in MDCL-Frontline (China) Limited was affected by SARS at the beginning of the year resulting in delays in a number of projects under discussion. Business has picked up in the second half of the year especially for the newly developed low-end hardware trading business which recorded satisfactory growth resulting in overall profits for 2003 versus a loss in previous year.

### *Broadband Communication IC*

Broadband Physics has completed development of the field programmable gate array (FPGA) implementation for its patented Sub-band Division Multiplexing technology. In-house benchmark tests confirm performance is meeting expectation. Lab and field testing is beginning with industry partners for validation of the technology and its commercial application benefits. The successful validation will be an important support for the company's continual development. Interim secured bridge financing by installments are being extended carefully by the Group.

### *Electronic Integrated Rectifier Chips*

The company has embarked marketing campaign in the 4th quarter of 2003 for the Group's investment in APD Semiconductor, Inc. in the United States. We expect a full product launch in the 1st half of 2004 and to generate revenue in 2004.

## Financial Investments

Thanks to the world major financial markets which recorded favorable performances, the Group achieved HK\$30,544,000 gain in financial investments for the year ended 31st December, 2003 and the market value of the Group's holding of financial investments amounted to HK\$33,571,000 at the year end date.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Directors of the Company are pleased to announce that Mr. Peter WONG Chung On was appointed as an independent non-executive director of the Company with effect from 30th March, 2004.

The Company is pleased to take this opportunity to welcome Mr. WONG to join the Board.

By Order of the Board  
**BILLY YUNG KWOK KEE**  
*Chairman*

Hong Kong, 30th March, 2004

## REVENUE AND OPERATING RESULTS

The Group's performance in 2003 as a whole demonstrated a marked improvement with revenue going up to HK\$2,000,425,000, representing 43.10% over the same period last year and net profits increasing by 2 times to HK\$87,819,000. During the period under review, revenue from the laser scanner EMS business and sales of electric fans reached HK\$201,029,000 and HK\$743,464,000 respectively, representing increases of 53% and 20% respectively over the same period in 2002. Overall margin was improved through an effective and extensive cost reduction program.

## FINANCIAL AND LIQUIDITY RESOURCES

The Group continued to maintain its financial and liquidity resources in healthy condition. With centralized funding policy in place for all its operations at the corporate level, the Group was able to maintain its treasury function to make efficient allocation of its financial resources and keep down the average cost of fund. The Group consistently maintained a stable liquidity position throughout 2003. In addition, there was no material change in the timing orders were secured which might give rise to volatility of the sales.

There were no material changes to the Group's available banking facilities since 31st December, 2002. Other than a term loan charged at fixed interest rate and secured by certain assets of the Group located in the United States, all banking facilities of the Group were arranged on short-term basis and subject to floating interest rates. This U.S. term loan would become mature by 20th October, 2004.

## FOREIGN EXCHANGE EXPOSURE

The Group's major borrowings were in Hong Kong Dollars and US Dollars. The Group continued to conduct its sales mainly in US Dollars and make payments either in US Dollars or Hong Kong Dollars. So far as the Hong Kong Dollar was pegged to the US Dollar, the Group considered that it had no significant exposure to foreign exchange risk.

## GEARING RATIO

The Group has put in place its policy of maintaining a prudent gearing ratio. As at 31st December, 2003, the Group recorded a gearing ratio, expressed as a percentage of total liabilities to shareholders' funds, of 36.53% (31st December, 2002 (restated): 34%). Total liabilities and shareholders' fund of the Group amounted to approximately HK\$718,040,000 and HK\$1,965,516,000 respectively (31st December, 2002 (restated): HK\$652,148,000 and HK\$1,920,674,000 respectively). It is worth noting that the Group's total liabilities included certain shareholder loans advanced to the Group's non-wholly owned subsidiary companies by their minority shareholders on a proportional basis, which amounted to approximately HK\$358,966,000 (31st December, 2002: HK\$348,403,000). If such shareholder loans advanced by minority shareholders were excluded, the gearing ratio of the Group would be no more than 18.30% (31st December, 2002: 16%).

Other than shareholder loans advanced by minority shareholders, the total liabilities include trade and other creditors totalling HK\$232,411,000 (31st December, 2002: HK\$176,715,000) and bank borrowings amounting to HK\$107,200,000 (31st December, 2002: HK\$112,484,000) and the Group's gearing ratio, expressed as a percentage of total bank borrowings to shareholders' funds, was 5.45% compared to 5.86% at 31st December, 2002.

## CAPITAL EXPENDITURE

The Group has adequate financial resources to fund its capital expenditure commitments and working capital requirements through cash flows generated from its operations and banking facilities. The Group had a total capital expenditure amounting to HK\$120,537,000 in 2003.

### SIGNIFICANT ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposals of subsidiaries and associated companies for the period under review. The Group has, however, entered into an agreement in March 2004 with an independent third party for the sale of its 70% equity interest in the steel processing and steel trading business. In addition, the Group has entered into both a share transfer agreement and a loan repayment agreement on 20th February, 2004 with Shunde City Heng Shun Communication Investment Management Corporation for the disposal of its 52% equity interest in Shunde Shunyue Highway Construction Limited, details of which are set out in the Circular distributed to the shareholders on 11th March, 2004.

### CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no material capital commitments and contingent liabilities as at 31st December, 2003.

### CHARGES ON ASSETS

There was no significant change in charges on assets of the Group compared to the position as at 31st December, 2002.

### EMPLOYEES

#### Number of Employees

As at 31st December, 2003, the Group has approximately 1,770 employees. The pay levels of these employees are commensurate with their responsibilities, contribution and performance.

In addition to the above, the Group's co-operative joint venture companies in Mainland China provided employment to approximately 4,000 people.

#### Share Option Scheme

Pursuant to the Share Option Scheme (the "Scheme") which became effective in May 1994, options under the Scheme were offered to directors and the employees. No option was granted and none of the grantees exercised his/her options under the Scheme during the year of 2003.

Pursuant to the share option scheme which became effective in November 2002 of Appeon Corporation ("Appeon"), the subsidiary of the Company, certain directors, employees and consultants of Appeon were granted options totalling 63,000, 3,000 and 20,425 respectively and none of them exercised their options under this scheme during the year of 2003.

Pursuant to the share option scheme which became effective in November 2002 of Galactic Computing Corporation ("Galactic"), the wholly-owned subsidiary of the Company, certain directors and consultants of Galactic were granted options totalling 730,000 and 150,000 respectively and none of them exercised their options under this scheme during the year of 2003.

## EXECUTIVE DIRECTORS

**Mr. Billy Yung Kwok Kee**, aged 50, eldest son of Dr. Yung, is the Group Chairman & Managing Director of the Company, Chairman of Sybond Venture Limited and Director of SMC Multi-Media Products Company Limited. Mr. Yung received a Bachelor's degree in Electrical Engineering from University of Washington and a Master degree in Industrial Engineering from Stanford University. He has worked for the Group for over 27 years.

**Dr. Yung Yau**, aged 79, is the Director & Honorary Chairman of the Group. Dr. Yung holds a Doctor degree in Business Administration *honoris causa* from University of East Asia, Macau. Dr. Yung is the founder of the Group and has a major interest in the share capital of the Company.

**Madam Yung Ho Wun Ching**, aged 72, is the wife of the Group founded Dr. Yung Yau. She has been involved in the development of the Group since inception and was appointed as an executive director in 1984.

**Mr. Leung Chun Wah**, aged 57, joined the Group in 1977 and was appointed as an executive director in 1990. Mr. Leung is the General Manager of the ceiling fan division and General Manager and Director of Shell & Shinsho Company Limited. Mr. Leung took a Bachelor's degree of Business Administration from University of East Asia, Macau.

**Mr. Plato Poon Chak Sang**, aged 58, joined the Group in 1982 and was appointed as an executive director in 1992. He has over thirty years' experience in export and international marketing. Mr. Poon is the General Manager of the oscillating fan division and is also responsible for the management of the Company's heater sales business.

## NON-EXECUTIVE DIRECTOR

**Mr. Simon Yung Kwok Choi**, aged 47, son of Dr. Yung, was appointed as a non-executive director in 1991. He holds both a Bachelor's and Master degree of Arts from Stanford University. He is the Chairman of the Venes Group of Companies.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Leo Tung-Hai Lee**, GBS, LLD, JP, aged 82, has been a director of the Company since 1984. Dr. Lee is the chairman of Tung Tai Group of Companies and an independent non-executive director of several publicly listed companies in Hong Kong, including Beijing Enterprises Holdings Limited. He is a member of a number of public services committees and heads many social service organizations, including as an adviser of the Advisory Board of the Tung Wah Group of Hospitals, chairman of the Association of Chairmen of the Tung Wah Group of Hospitals, chairman of Friends of Hong Kong Association and vice president of the China Overseas Friendship Association. Dr. Lee served as a Standing Committee member of the eighth and ninth National Committee of the Chinese People's Political Consultative Conference; an Adviser on Hong Kong Affairs to the Hong Kong & Macau Affairs Office of the State Council and Xinhua News Agency, Hong Kong Branch; a member of the Preparatory Committee for the Hong Kong Special Administrative Region; and a member of the Hong Kong Special Administrative Region Selection Committee. He has been honoured with awards by different governments, which include the Cavaliere di Gran Croce of Italy, the O.B.E. of Great Britain, Chevalier Legion d'Honneur of France, Commandeur de l'Ordre de Leopold II of Belgium and Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. Dr. Lee has over 40 years of experience in business management.

**Mr. Shiu-Kit Ngai**, SBS, OBE, JP, aged 79, was appointed as an independent non-executive director since 1984. Mr. Ngai, a Deputy of the 9th National Peoples' Congress of the PRC.; a member of The Preparatory & Working Committee for the Hong Kong Special Administrative Region; and also a member of The Selection Committee for the First Government of H'Kong Special Administrative Region. He served as an Adviser on Hong Kong Affairs to The People's Republic of China; and a member The Legislative Council of Hong Kong and The Chairman of The Trade & Industry Panel (1985-1997). He has been honoured with awards by O.B.E. of Great Britain and Silver Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. Mr. Ngai was the Former President of The Chinese Manufacturers' Association of Hong Kong and is now the permanent Hon. President of The Association.

**Mr. Peter Wong Chung On**, aged 54, has been appointed as an independent non-executive director in March, 2004. Mr. Wong received his Bachelor of Laws Degree and Master of Laws Degree in Chinese and Comparative Law from University of Wolverhampton in United Kingdom and City University of Hong Kong respectively. He is an associate member of both of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants of the United Kingdom. In addition, he is also an associate member of the Hong Kong Society of Accountants. During the period from 1986 to 1990, he was employed by the Group as the Financial Controller and an in-house Financial Consultant. He had approximately 20 years of financial management experience in the manufacturing field before joining the Group. He is now a Solicitor practicing in C.M. Li, Chow, Pang & Chan.

### SENIOR MANAGEMENT STAFF

**Mr. Yau Kin Hing, Henry**, aged 49, is the Deputy Group Managing Director. Mr. Yau holds a Bachelor's degree in Engineering and a Master degree in Computer Science in the Northwestern University. He received his Master degree in Business Administration from the University of Chicago and a Doctor of jurisprudence degree from DePaul University. He is a certified accountant in Illinois and holds attorney qualifications in Illinois. Before joining SMC in 2000, He served as the China CFO for various multi-national companies, especially experienced in China related operations. He was active in the investment, corporate finance and merger and acquisition areas in the United States.

**Mr. Chow Kai Chiu, David**, aged 39, Chartered Financial Analyst, is the Deputy Group Managing Director. Mr. Chow received his Bachelor of Applied Science degree in Computer Engineering and Masters degree in Business Administration from University of Waterloo and York University in Canada respectively. He has previously held positions at First Marathon Securities Limited in Canada, Asian Capital Partners (HK) Limited, and HSBC Private Equity (Asia) Limited in the corporate finance and investment management field.

**Mr. Chu Ka Loy**, aged 55, joined the Group in 1993 as Financial Controller of the Group. Mr. Chu has previously held senior financial positions in public listed and private companies for over 10 years. He is an associate member of both of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants of the United Kingdom. In addition, he is an associate member of the Hong Kong Society of Accountants.

**Mr. Ho Chi Sing, Spencer**, aged 43, is the Senior Investment Manager of the Group. Mr. Ho holds a Bachelor's degree in Laws and Litigation in University of Wolverhampton, United Kingdom, and a Master degree in Systems Management in Lancaster University, United Kingdom. Prior to joining the Group in 1999, he was the fund manager of BOC China Fund. He has over 15 years' working experience in banking and investment management.

**Mr. Tang Che Yin, Benny**, aged 49, is the General Manager of SMC Multi-Media Products Company Limited. Mr. Tang holds a Bachelor's degree of science in engineering and a Master degree of computer science in the University of Hong Kong and the University of Manchester of the United Kingdom respectively. He is a Chartered Engineer and also a member of the Council of Engineer in the United Kingdom. Before joining the Group in 1991, He has over 10 years' working experience in multi-national companies with focus on technical and factory management.

**Mr. Shi Zheng, John**, aged 37, CEO of Appeon Corporation. Prior to founding Appeon, Mr. Shi was a senior consultant at McKinsey & Company, where he led teams advising senior management of global telecommunication conglomerates and financial institutions in the U.S., Asia and Europe on strategy, operation and organization issues. He holds a Ph.D. degree from Stanford University in Biotechnology.

**Mr. Gao Yang**, aged 38, CTO of Appeon Corporation. Mr. Gao has 12 years of enterprise software development and management experience in Silicon Valley, and was the pioneering architect and project leader for building the first embedded Web server while working at Digital Microwave. He holds a M.S. from Georgia State University in Computer Sciences.

The directors present their annual report and the audited financial statements for the year ended 31st December, 2003.

## **PRINCIPAL ACTIVITIES**

The principal activities of the Company are investment holding and trading. The activities of its principal subsidiaries and associates are set out in notes 42 and 43 respectively to the financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31st December, 2003 are set out in the consolidated income statement on page 27.

An interim dividend of 3.00 cents per share amounting to HK\$13,302,000 was paid to the shareholders during the year. Subject to the approval of shareholders at the forthcoming annual general meeting, the board of directors of the Company (the "Board") now recommend the payment of a final dividend of 7.00 cents per share to the shareholders on the register of members on 13th May, 2004, thus giving rise to a final dividend distribution amounting to HK\$31,038,000.

## **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 78.

## **INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT**

All of the Group's investment properties were revalued at 31st December, 2003. The revaluation resulted in a decrease over book values amounting to HK\$18,075,000, which has been debited directly to the investment property revaluation reserve.

Apart from the above movements, the Group also expended approximately HK\$1,666,000 in land and buildings, approximately HK\$1,211,000 in tools, moulds and equipment and approximately HK\$7,731,000 in furniture, fixtures and office equipment during the year.

Details of these and other movements during the year in investment properties and property, plant and equipment of the Group and the Company are set out in notes 15 and 16 respectively to the financial statements.

## **MAJOR PROPERTIES**

Details of the major properties and property interests of the Group at 31st December, 2003 are set out on pages 79 and 80 of the annual report.

## **SHARE CAPITAL AND SHARE OPTIONS**

Details of movements during the year in the share capital and outstanding share options of the Company are set out in note 29 to the financial statements.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the year, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited, details of which are set out in note 29 to the financial statements. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

## **DIRECTORS**

The directors of the Company during the year and up to the date of this report were:

### **Executive directors**

Mr. Billy Yung Kwok Kee (*Group Chairman and Managing Director*)  
Dr. Yung Yau (*Honorary Chairman*)  
Madam Yung Ho Wun Ching  
Mr. Leung Chun Wah  
Mr. Plato Poon Chak Sang  
Mr. Nicholas Yang Wei Hsiung (*resigned on 30th September, 2003*)

### **Non-executive director**

Mr. Simon Yung Kwok Choi

### **Independent non-executive directors**

Cav Gr Cr, Dr. Leo Tung-Hai Lee, GBS, OBE,  
Chev Leg d'Hon, Comm Leopold II, LLD, JP  
Mr. Shiu-Kit Ngai, SBS, OBE, JP  
Mr. Peter Wong Chung On (*appointed on 30th March, 2004*)

In accordance with Article 103 of the Company's Articles of Association, Dr. Yung Yau, Mr. Leung Chun Wah and Mr. Simon Yung Kwok Choi shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 94 of the Company's Articles of Association, Mr. Peter Wong Chung On shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Each non-executive director is subject to retirement by rotation in accordance with the Company's Articles of Association.

## DIRECTORS' INTERESTS

### (a) Shares

At 31st December, 2003, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Capacity	Nature of interests	Number of ordinary shares beneficially owned	Aggregate long position	Percentage of the issued shares capital of the Company
Mr. Billy Yung Kwok Kee	Beneficial owner	Personal interest	65,740,000	83,908,000	18.92%
	Interest of controlled corporation	Corporate interest	2,200,000 (Note 1)		
	Beneficial of a trust	Other interest	15,968,000 (Note 2)		
Dr. Yung Yau	Beneficial owner	Personal interest	50,000,000	229,685,000	51.80%
	Interest of spouse	Family interest	179,685,000 (Note 3)		
Dr. Leo Tung-Hai Lee	Beneficial owner	Personal interest	300,000	300,000	0.07%
Madam Yung Ho Wun Ching	Beneficial owner	Personal interest	17,520,000	229,685,000	51.80%
	Interest of spouse	Family interest	50,000,000 (Note 4)		
	Beneficial of a trust	Other interest	162,165,000		
Mr. Leung Chun Wah	Beneficial owner	Personal interest	1,799,400	1,799,400	0.41%
Mr. Plato Poon Chak Sang	Beneficial owner	Personal interest	739,200	739,200	0.17%
Mr. Simon Yung Kwok Choi	Beneficial owner	Personal interest	12,866,001	12,866,001	2.90%

Notes:

- These shares are held by Management Systems Limited, which is wholly owned by Mr. Billy Yung Kwok Kee.
- These shares are held by a trust for the benefit of Mr. Billy Yung Kwok Kee and his family.
- This interest represents the same holdings of shares disclosed under the personal and other interests of Madam Yung Ho Wun Ching.
- This interest represents the same block of shares disclosed under the personal interest of Dr. Yung Yau.

### (b) Share options

Particulars of the directors' interests in the share option schemes of the Company and its subsidiaries namely Apeon Corporation and Galactic Computing Corporation are set out in note 29 to the financial statements.

### (c) Disclosure of other interest

- Certain directors held shares in subsidiaries as trustees for the Company.
- During the year, the Group's wholly owned subsidiary, Extra-Fund Investment Limited, entered into securities trading transactions with Tung Tai Securities Co., Ltd. of which the Group's independent non-executive director, Dr. Leo Tung-Hai Lee is both a director and a substantial shareholder. The transactions were conducted on an arm's length basis and gave rise to a broker's commission of approximately HK\$64,000 for the year ended 31st December, 2003.



Other than as disclosed above, none of the directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation at 31st December, 2003.

## SUBSTANTIAL SHAREHOLDERS

At 31st December, 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of substantial shareholder	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of ordinary shares held to the issued share capital of the Company
Herald Rich Holdings Limited	Trustee of a Trust (Note 1)	Other interest	162,165,000	162,165,000	36.57%
UBS Trustees (Jersey) Limited	Trustee of a Trust (Note 1)	Other interest	162,165,000	162,165,000	36.57%
Herald Rich Company Limited	Beneficial owner (Note 1)	Beneficial interest	118,880,000	118,880,000	26.81%
Parkway Company Limited	Interested of controlled corporation (Note 1)	Corporate interest	118,880,000	118,880,000	26.81%
Madam Vivian Hsu	Interest of Spouse (Note 2)	Family interest	67,940,000	67,940,000	15.32%

Notes:

- (1) The two references to 118,880,000 shares relate to the same block of shares in the Company. These shares form part of the 162,165,000 shares held by Herald Rich Holdings Limited and UBS Trustees (Jersey) Limited which are disclosed in the section headed "Directors' Interests" above as being held under a trust and the beneficiary of which is Madam Yung Ho Wun Ching.
- (2) Madam Vivian Hsu's shares are in fact the same block of shares already disclosed under the personal and corporate interests of her husband, Mr. Billy Yung Kwok Kee and as disclosed in the section headed "Directors' Interests" above.

Other than as disclosed above, there was no person, other than the director of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under section 336 of the SFO.

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Except for the share options scheme granted to the directors pursuant to the schemes as set out in note 29 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## CONNECTED TRANSACTIONS

In the opinion of the Directors, including the independent non-executive directors, purchases during the year totalling HK\$54,466,000 in respect of raw materials made by Shell & Shinsho Company Limited ("Shell & Shinsho"), a 70% owned subsidiary of the Company, from Shinsho Corporation of Japan which owns the remaining 30% of Shell & Shinsho, were:

- (i) conducted on normal commercial terms;

- (ii) in the ordinary and usual course of business of the Group;
- (iii) fair and reasonable so far as the shareholders of the Company as a whole were concerned; and
- (iv) within the limit in that the aggregate value of these purchases was less than 3% of the consolidated net tangible assets as shown in the Group's audited accounts as at 31st December, 2002.

In the opinion of the Directors, including the independent non-executive directors, inter-company loans advanced to Appeon Corporation ("Appeon"), a 72.45% owned subsidiary of the Company, with outstanding amount at 31st December, 2003 amounting to HK\$25,808,000, were:

- (i) provided by the Group in the ordinary and usual course of the business;
- (ii) fair and reasonable so far as the shareholders the Company as a whole were concerned;
- (iii) entered into on terms no less favourable than those available to independent third parties; and
- (iv) within the limit in that the outstanding balances was less than 3% of the consolidated net tangible assets as shown in the Group's audited accounts as at 31st December, 2002.

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

## MAJOR SUPPLIERS AND CUSTOMERS

For the financial year ended 31st December, 2003, the five largest suppliers of the Group accounted for approximately 59% of the total purchases of the Group, of which 23% was attributable to the largest supplier and the five largest customers accounted for approximately 57% of the total sales of the Group's turnover, of which 29% was attributable to the largest customer.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in the share capital of any of the five largest suppliers.

## DONATIONS

During the year, the Group made charitable and other donations totalling HK\$2,470,000.

## POST BALANCE SHEET EVENTS

Details of the Group's post balance sheet events are set out in note 38 to the financial statements.

## AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**BILLY YUNG KWOK KEE**  
*Chairman of the Board*

Hong Kong, 30th March, 2004

## 德勤·關黃陳方會計師行

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Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

**TO THE SHAREHOLDERS OF  
SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED**  
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 27 to 77 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **OPINION**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

**Deloitte Touche Tohmatsu**

Hong Kong, 30th March, 2004

# Consolidated Income Statement

For the year ended 31st December, 2003

	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)
Turnover	4	2,000,425	1,398,211
Other operating income		43,379	65,923
Changes in inventories of finished goods and work in progress		6,305	(7,827)
Changes in trading securities		(66,470)	(49,212)
Raw materials, subcontracted goods and consumables used		(597,978)	(428,801)
Purchases of trading goods		(467,453)	(428,087)
Costs incurred on properties under development for sale		–	(25,794)
Purchases of trading securities		(560,218)	(248,945)
Staff costs		(84,113)	(92,918)
Depreciation and amortisation expenses		(45,344)	(72,950)
Other operating expenses		(106,169)	(109,834)
Impairment loss on investments in securities not held for trading	6	(32,800)	(12,121)
Impairment loss on property, plant and equipment	16	–	(8,025)
Loss on disposal of investments in securities not held for trading		–	(6,087)
Profit (loss) from operations	7	89,564	(26,467)
Finance costs	10	(25,609)	(11,812)
Gain on partial disposal of interest in a subsidiary		1,594	–
Share of results of associates		14,552	(9,131)
Gain on deemed and partial disposal of interest in an associate		–	345
(Loss) gain on disposal of an associate		(877)	265
Gain on deconsolidation of a subsidiary	34	–	425
Profit (loss) from ordinary activities before taxation		79,224	(46,375)
Taxation	12	(8,759)	(18,236)
Profit (loss) before minority interests		70,465	(64,611)
Minority interests		17,354	(3,454)
Net profit (loss) for the year		87,819	(68,065)
		<b>2003 Cents</b>	<b>2002 Cents</b>
Dividends	13		
Final dividend proposed per share		7.00	1.00
Interim dividend paid per share		3.00	1.00
Earnings (loss) per share	14		
Basic		19.80	(13.52)
Diluted		19.80	N/A

# Consolidated Balance Sheet

As at 31st December, 2003

	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)
<b>Non-current assets</b>			
Investment properties	15	526,707	537,682
Property, plant and equipment	16	634,971	678,257
Goodwill	17	10,984	12,373
Intangible assets	18	175,813	76,140
Interests in associates	20	505,429	530,487
Investments in securities	21	77,885	91,754
Club debenture		2,920	–
Deferred tax assets	33	2,929	–
		<b>1,937,638</b>	<b>1,926,693</b>
<b>Current assets</b>			
Inventories	22	108,919	105,062
Trade and other receivables	24	278,888	154,952
Amount due from an associate		4,035	331
Amounts due from investees	25	2,952	1,688
Investments in securities	21	33,571	100,041
Bank and other deposits pledged	36	9,331	–
Bank balances and cash		208,658	202,977
		<b>646,354</b>	<b>565,051</b>
<b>Current liabilities</b>			
Trade and other payables	26	232,411	176,715
Amounts due to associates		227	227
Amounts due to minority shareholders	27	56,164	54,842
Amount due to an investee		–	378
Taxation liabilities		10,912	8,334
Bank borrowings	28	107,200	53,460
		<b>406,914</b>	<b>293,956</b>
<b>Net current assets</b>			
		<b>239,440</b>	<b>271,095</b>
		<b>2,177,078</b>	<b>2,197,788</b>
<b>Capital and reserves</b>			
Share capital	29	221,703	222,207
Share premium and reserves	30	1,743,813	1,698,467
Shareholders' funds		<b>1,965,516</b>	<b>1,920,674</b>
<b>Minority interests</b>			
	31	<b>(99,564)</b>	<b>(81,078)</b>
<b>Non-current liabilities</b>			
Bank borrowings	28	–	59,024
Loans from minority shareholders	32	302,802	293,561
Deferred tax liabilities	33	8,324	5,607
		<b>311,126</b>	<b>358,192</b>
		<b>2,177,078</b>	<b>2,197,788</b>

The financial statements on pages 27 to 77 were approved and authorised for issue by the Board of Directors on 30th March, 2004 and are signed on its behalf by:

**LEUNG CHUN WAH**  
Director

**PLATO POON CHAK SANG**  
Director

# Balance Sheet

As at 31st December, 2003

	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)
<b>Non-current assets</b>			
Investment properties	15	12,700	14,200
Property, plant and equipment	16	11,006	9,929
Intangible asset	18	2,228	2,353
Interests in subsidiaries	19	437,812	102,940
Interests in associates	20	101	101
Club debenture		2,920	–
		<u>466,767</u>	<u>129,523</u>
<b>Current assets</b>			
Inventories	22	4,043	1,418
Trade and other receivables		28,646	13,457
Amounts due from subsidiaries	23	1,461,339	1,910,809
Amount due from an investee	25	24	24
Bank balances and cash		25,359	10,267
		<u>1,519,411</u>	<u>1,935,975</u>
<b>Current liabilities</b>			
Trade and other payables		34,245	31,754
Amounts due to subsidiaries		5,897	63,495
Amounts due to associates		101	101
Bank borrowings	28	42,040	47,276
		<u>82,283</u>	<u>142,626</u>
<b>Net current assets</b>		<u>1,437,128</u>	<u>1,793,349</u>
<b>Net assets</b>		<u>1,903,895</u>	<u>1,922,872</u>
<b>Capital and reserves</b>			
Share capital	29	221,703	222,207
Share premium and reserves	30	1,681,733	1,700,263
Shareholders' funds		<u>1,903,436</u>	<u>1,922,470</u>
<b>Non-current liability</b>			
Deferred tax liabilities	33	459	402
		<u>1,903,895</u>	<u>1,922,872</u>

LEUNG CHUN WAH  
Director

PLATO POON CHAK SANG  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2003

	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2002										
- as originally stated	254,879	529,289	27,664	10,581	-	(458)	(25,861)	12,744	1,243,031	2,051,869
- adjustments on adoption of SSAP 12 (Revised) (Note 2)	-	-	(2,813)	-	-	-	-	-	2,170	(643)
- as restated	254,879	529,289	24,851	10,581	-	(458)	(25,861)	12,744	1,245,201	2,051,226
Revaluation decrease	-	-	(2,770)	-	-	-	-	-	-	(2,770)
Share of revaluation increase of associates	-	-	32,870	-	-	-	-	-	-	32,870
Share of translation reserve of an associate	-	-	-	-	-	486	-	-	-	486
Exchange difference on translation of the Group's overseas operations	-	-	-	-	-	(154)	-	-	-	(154)
Decrease in fair value of securities not held for trading	-	-	-	-	(12,121)	-	-	-	-	(12,121)
Impairment loss of securities not held for trading	-	-	-	-	12,121	-	-	-	-	12,121
Net gains not recognised in consolidated income statement	-	-	30,100	-	-	332	-	-	-	30,432
Net loss for the year	-	-	-	-	-	-	-	-	(68,065)	(68,065)
Overprovision of final dividend due to share repurchased	-	-	-	-	-	-	-	(2)	2	-
Interim dividend declared	-	-	-	-	-	-	-	5,097	(5,097)	-
Dividends paid	-	-	-	-	-	-	-	(17,839)	-	(17,839)
Final dividend proposed	-	-	-	-	-	-	-	4,444	(4,444)	-
Shares repurchased	(32,672)	-	-	32,672	-	-	-	-	(66,974)	(66,974)
Realised on partial disposal of interests in an associate	-	-	-	-	-	-	1,844	-	-	1,844
Realised on disposal of properties in an associate	-	-	(9,950)	-	-	-	-	-	-	(9,950)
Other changes in equity	(32,672)	-	(9,950)	32,672	-	-	1,844	(8,300)	(144,578)	(160,984)
At 31st December, 2002	222,207	529,289	45,001	43,253	-	(126)	(24,017)	4,444	1,100,623	1,920,674
Revaluation decrease	-	-	(18,075)	-	-	-	-	-	-	(18,075)
Share of revaluation decrease of associates	-	-	(897)	-	-	-	-	-	-	(897)
Exchange difference on translation of the Group's overseas operations	-	-	-	-	-	(1,928)	-	-	-	(1,928)
Decrease in fair value of securities not held for trading	-	-	-	-	(32,800)	-	-	-	-	(32,800)
Impairment loss of securities not held for trading	-	-	-	-	32,800	-	-	-	-	32,800
Deferred tax adjustment on properties revaluation	-	-	(915)	-	-	-	-	-	-	(915)
Net losses not recognised in consolidated income statement	-	-	(19,887)	-	-	(1,928)	-	-	-	(21,815)
Net profit for the year	-	-	-	-	-	-	-	-	87,819	87,819
Overprovision of final dividend due to share repurchased	-	-	-	-	-	-	-	(9)	9	-
Interim dividend declared	-	-	-	-	-	-	-	13,302	(13,302)	-
Dividends paid	-	-	-	-	-	-	-	(17,737)	-	(17,737)
Final dividend proposed	-	-	-	-	-	-	-	31,038	(31,038)	-
Shares repurchased	(504)	-	-	504	-	-	-	-	(1,008)	(1,008)
Realised on disposal of properties in an associate	-	-	(2,417)	-	-	-	-	-	-	(2,417)
Other changes in equity	(504)	-	(2,417)	504	-	-	-	26,594	42,480	66,657
<b>At 31st December, 2003</b>	<b>221,703</b>	<b>529,289</b>	<b>22,697</b>	<b>43,757</b>	<b>-</b>	<b>(2,054)</b>	<b>(24,017)</b>	<b>31,038</b>	<b>1,143,103</b>	<b>1,965,516</b>

# Consolidated Cash Flow Statement

For the year ended 31st December, 2003

	2003 HK\$'000	2002 HK\$'000
<b>Operating activities</b>		
Profit (loss) from operations	89,564	(26,467)
Adjustments for:		
Depreciation and amortisation expenses	45,344	72,950
Impairment loss on investments in securities not held for trading	32,800	12,121
Loss (gain) on disposal of property, plant and equipment	9,031	(3,142)
Transfer fee for club debenture written off	1,600	–
Allowance for doubtful debts	1,672	7,484
Interest income	(9,236)	(33,908)
Loan waived by a minority shareholder	(1,875)	–
Unrealised (gain) loss on trading securities	(873)	29,278
Exchange difference	(360)	678
Impairment loss recognised for property, plant and equipment	–	8,025
Loss on disposal of investments in securities not held for trading	–	6,087
Adjustments to acquisition costs of property, plant and equipment	–	1,312
Adjustments to acquisition costs of investment properties	–	996
Loan interest waived by a minority shareholder	–	(3,931)
Gain on disposal of intangible assets	–	(792)
Reimbursement of operating expenses from a minority shareholder	–	(178)
Operating cash flows before movements in working capital	167,667	70,513
(Increase) decrease in inventories	(3,857)	6,264
Decrease in properties under development for sale	–	19,883
Increase in trade and other receivables	(129,394)	(2,402)
(Increase) decrease in amount due from an associate	(3,704)	173
Increase in amounts due from investees	(1,264)	(41)
Decrease in investments in trading securities	67,343	19,934
Increase (decrease) in trade and other payables	53,105	(34,262)
Decrease in amounts due to minority shareholders	(3,663)	(5,092)
(Decrease) increase in amount due to an investee	(378)	378
Decrease in amount due to a related company	–	(4,083)
Cash generated from operations	145,855	71,265
Tax paid	(4,131)	(662)
<b>Net cash generated from operating activities</b>	<b>141,724</b>	<b>70,603</b>



# Consolidated Cash Flow Statement

For the year ended 31st December, 2003

	2003 HK\$'000	2002 HK\$'000
<b>Investing activities</b>		
Loan repayment from associates	39,042	26,644
Interest received	2,832	2,594
Proceeds on disposal of property, plant and equipment	261	6,791
Additions to intangible assets	(97,540)	(11,405)
Additions to investment in securities not held for trading	(14,885)	(16,547)
Additions to property, plant and equipment	(12,363)	(13,154)
(Increase) decrease in bank and other deposits pledged	(9,331)	727
Additions to investment properties	(5,130)	(35)
Purchase of club debenture	(4,520)	–
Acquisition of investments in an associate	(282)	–
Advances to associates	(200)	(960)
Proceeds on disposal of intangible assets	–	25,830
Proceeds on disposal of investments in securities not held for trading	–	17,320
Proceeds on partial disposal of interest in an associate	–	5,101
Capital distribution from an associate	–	3,000
Short-term deposits refunded	–	(17,822)
Consideration paid for acquisition of additional interests in a subsidiary	–	(8,829)
<b>Net cash (used in) generated from investing activities</b>	<b>(102,116)</b>	<b>19,255</b>
<b>Financing activities</b>		
New bank loans	366,422	107,679
Repayments of bank borrowings	(372,691)	(109,234)
Dividends paid	(17,737)	(17,839)
Interest paid	(8,377)	(19,691)
Payment made to purchase own shares	(1,008)	(66,974)
Advance from (repayment to) minority shareholders	–	(1,126)
<b>Net cash used in financing activities</b>	<b>(33,391)</b>	<b>(107,185)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6,217</b>	<b>(17,327)</b>
<b>Cash and cash equivalents at 1st January</b>	<b>202,831</b>	<b>220,119</b>
<b>Effect of foreign exchange rate change</b>	<b>(390)</b>	<b>39</b>
<b>Cash and cash equivalents at 31st December</b>	<b>208,658</b>	<b>202,831</b>
<b>Analysis of the balance of cash and cash equivalents</b>		
Bank balances and cash	208,658	202,977
Bank overdrafts	–	(146)
	<b>208,658</b>	<b>202,831</b>

## 1. GENERAL

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

The principal activities of the Group are manufacturing and marketing of electric fans and other electrical household appliances and EMS business, investment holding, property investment and trading of and investments in securities.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

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

### Basis of consolidation

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

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

### Goodwill

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

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented as a separate intangible asset.

On disposal of a subsidiary or associate, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the gain or loss on disposal.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

### Interests in associates

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

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost less any identified impairment loss.

### Revenue recognition

#### (i) *Development properties*

Income from properties developed for sale, where there are no pre-sales prior to completion of the development of the properties, is recognised on the execution of a binding sales agreement.

Income from properties pre-sold prior to completion of the development of properties, is recognised over the period from the execution of a binding sales agreement to the completion of the development on the basis of development costs to date as a proportion of estimated total development costs.

#### (ii) *Others*

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

Sales of securities are recognised when the sales transactions are completed and ownership of the securities is transferred.

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

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

Rental from investment properties is recognised on a straight-line basis over the periods of the respective tenancies.

### Investment properties

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment properties (continued)

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

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and less any identified impairment loss.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives on a straight-line basis at the following rates per annum and after taking into account their estimated residual value, if applicable:

Category of assets	Annual rates
Land and buildings in Hong Kong under long leases	2%
Land and buildings in other regions of the People's Republic of China ("PRC") under long leases and medium term leases	Remaining terms of the land use rights
Buildings	The shorter of the estimated useful lives or remaining terms of the respective land use rights
Freehold land and buildings in the United States of America ("USA") and Canada	
Freehold land	Nil
Buildings	3.33%
Toll road	Over the remaining operation period
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles	20% to 33.33%
Berthing space	Remaining term of the berthing lease

### Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any identified impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

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

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities not held for trading purposes, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net gain or loss on the disposal of the securities for the period.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment

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

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

### Research and development expenditure

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

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

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

### Taxi licences

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

The Group holds 674 taxi licences for the exclusive right to run the taxi in Guangzhou, PRC and is one of the largest taxi leasing operators in Guangzhou. It is expected that these taxi licences, without expiry date, will be in use for at least fifty years.

### Trademark

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

### Club debenture

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

### Leases

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

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight-line basis over the respective terms of leases.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Inventories

Inventories are stated at the lower of cost, computed using weighted average method, and net realisable value.

### Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

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

### Taxation

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

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

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

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

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

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

### Retirement benefit scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution scheme and the Mandatory Provident Fund Scheme.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Share options

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

## 4. TURNOVER

Turnover represents the amounts received and receivable for goods sold to outside customers, property rental income, proceeds from property sale and trading of securities and other income from principal activities during the year, and is analysed as follows:

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

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group is currently organised into nine operating divisions – electrical household appliances, steel pipes and cables, steel processing, property leasing, property development, securities trading, toll road operations, car rental and direct investments. These divisions form the basis on which the Group reports its primary segment information.

The principal activities are as follows:

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business segments

Segment information about these businesses is presented below:

#### 2003

#### TURNOVER AND RESULT

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

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

#### FINANCIAL POSITIONS

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



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business segments (continued)

2003 (continued)

#### OTHER INFORMATION

	Electrical household appliances	Electric cables and steel pipes	Steel processing	Property leasing	Property development	Securities trading	Toll road operations	Car rental	Direct investments	Unallocated amounts	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	5,244	418	28	5,130	387	-	54	76,466	28,761	4,049	120,537
Depreciation and amortisation	7,247	11,777	4,124	56	-	-	15,823	3,567	59	2,691	45,344
Impairment losses recognised in income statement	-	-	-	-	-	-	-	-	32,800	-	32,800
Allowances (reversal of allowances) for doubtful debts	2,437	(284)	(481)	-	-	-	-	-	-	-	1,672

2002

#### TURNOVER AND RESULT

	Electrical household appliances	Electric cables and steel pipes	Steel processing	Property leasing	Property development	Securities trading	Toll road operations	Car rental	Direct investments	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER (Note)	874,453	55,402	99,495	57,391	22,958	251,464	27,308	9,740	-	-	1,398,211
RESULT											
Segment result	24,608	(27,945)	4,627	50,262	(3,334)	(45,902)	5,908	6,512	(31,765)	-	(17,029)
Unallocated corporate expenses											(44,745)
Other operating income excluding interest income											1,399
Interest income											33,908
Loss from operations											(26,467)
Finance costs	(231)	(9)	(810)	(5,725)	-	(23)	(4,201)	(118)	-	(695)	(11,812)
Share of results of associates	-	-	-	1,650	(10,280)	-	-	-	(501)	-	(9,131)
Gain on deemed and partial disposal of interest in an associate										345	345
Gain on disposal of an associate										265	265
Gain on deconsolidation of a subsidiary										425	425
Loss from ordinary activities before taxation											(46,375)
Taxation											(18,236)
Loss before minority interests											(64,611)
Minority interests											(3,454)
Net loss for the year											(68,065)

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business segments (continued)

2002 (continued)

#### FINANCIAL POSITIONS

	Electrical household appliances	Electric cables and steel pipes	Steel processing	Property leasing	Property development	Securities trading	Toll road operations	Car rental	Direct investments	Unallocated assets/liabilities	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>											
Segment assets	252,596	154,976	134,991	550,238	3,615	140,830	402,634	152,954	97,656	-	1,890,490
Interests in associates	-	-	-	425,290	68,603	-	-	-	36,493	101	530,487
Unallocated corporate assets										70,767	70,767
Consolidated total assets											<u>2,491,744</u>
<b>LIABILITIES</b>											
Segment liabilities	96,492	16,453	47,554	80,520	349	10,022	296,774	28,063	6,763	-	582,990
Unallocated corporate liabilities										69,158	69,158
Consolidated total liabilities											<u>652,148</u>

#### OTHER INFORMATION

	Electrical household appliances	Electric cables and steel pipes	Steel processing	Property leasing	Property development	Securities trading	Toll road operations	Car rental	Direct investments	Unallocated amounts	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	4,984	690	81	4,612	-	-	27	11,470	2,131	599	24,594
Depreciation and amortisation	11,116	33,267	4,198	68	-	-	16,158	2,527	2,563	3,053	72,950
Impairment losses recognised in income statement	8,025	-	-	-	-	-	-	-	12,121	-	20,146
Allowances (reversal of allowances) for doubtful debts	4,897	(592)	284	-	-	-	-	-	407	2,488	7,484
Non-current assets written off	-	-	-	2,308	-	-	-	-	-	-	2,308

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Geographical segments

The Group's operations are located in Hong Kong, PRC, North America, Europe and Asia other than Hong Kong and the PRC.

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 6. IMPAIRMENT LOSS ON INVESTMENTS IN SECURITIES NOT HELD FOR TRADING

During the year, the directors of the Company reviewed the carrying value of the investment securities not held for trading. For the investments with business at the initial setup stage in developing the advanced semiconductor, internet related hardware and software, the related investment cost of approximately HK\$32,800,000 (2002: HK\$12,121,000) was considered to be fully impaired with regard to the current market situation.

## 7. PROFIT (LOSS) FROM OPERATIONS

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 8. DIRECTORS' EMOLUMENTS

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

Emoluments of the directors were within the following bands:

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

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

## 9. EMPLOYEES' EMOLUMENTS

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

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

Their emoluments were within the following bands:

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

## 10. FINANCE COSTS

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

## 11. RETIREMENT BENEFITS SCHEME

The Group joined Mandatory Provident Fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No contribution could be forfeited to reduce the contribution payable in the future years.

Prior to joining the MPF Scheme, the Group operated a defined contribution retirement benefit scheme ("Old Scheme") for its qualifying employees in Hong Kong and paid contributions to the scheme at rates specified in the rules of the Old Scheme on the monthly compensation to the qualifying employees. All the assets under the Old Scheme were transferred to the MPF Scheme and are separately identified within the MPF Scheme and members can withdraw their entitled benefits from the Old Scheme in accordance with the scheme rules once they resign from the Group and all the respective forfeited contributions of the Group will be used to reduce the contributions payable in the future years.

According to the relevant laws and regulations in the PRC, the PRC subsidiaries are required to contribute a certain percentage of the salaries and wages of their employees to the retirement benefits schemes to fund the retirement benefits of their employees (the "PRC Scheme"). No forfeited contribution is available to reduce the contribution payable in the future years.

The Group's contribution to the MPF Scheme and the PRC Scheme are charged to the income statement as expenses.

During the year, the Group made retirement benefit scheme contributions of HK\$2,394,000 (2002: HK\$2,832,000), net of the forfeited contributions utilised in Old Scheme amounting to HK\$181,000 (2002: Nil).

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 12. TAXATION

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 13. DIVIDENDS

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

The final dividend of 7.00 cents (2002: 1.00 cent) per share has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

## 14. EARNINGS (LOSS) PER SHARE

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

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

Note:

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

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



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 15. INVESTMENT PROPERTIES

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

The Group's investment properties in Hong Kong and the PRC were revalued as at 31st December, 2003 by Messrs. Knight Frank, an independent firm of professional valuers, on an open market existing use basis. The investment properties in the USA were revalued as at 31st December, 2003 on an income capitalisation approach with reference to comparable market conditions by Cushman & Wakefield of California, Inc., an independent firm of professional valuers. The investment properties in Canada were revalued as at 31st December, 2003 on an income approach to value by JMS Canada Ltd., an independent firm of professional valuers. These valuations gave rise to a revaluation decrease totalling HK\$18,075,000 (2002: HK\$2,770,000) which has been debited to the investment property revaluation reserve.

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

The carrying amount of investment properties comprises land and buildings in Hong Kong, the USA, the PRC and Canada as follows:

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Toll road in other regions of the PRC HK\$'000	Plant and machinery HK\$'000	Tools, moulds and equipment HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Berthing space HK\$'000	Total HK\$'000
<b>THE GROUP</b>								
<b>COST</b>								
At 1st January, 2003	238,582	439,863	179,405	56,791	44,065	14,470	910	974,086
Translation adjustment	(875)	(1,877)	(759)	(173)	(85)	(32)	-	(3,801)
Additions	1,666	54	941	1,211	7,731	760	-	12,363
Disposals	-	(9,553)	(2)	(10)	(1,730)	(929)	(910)	(13,134)
<b>At 31st December, 2003</b>	<b>239,373</b>	<b>428,487</b>	<b>179,585</b>	<b>57,819</b>	<b>49,981</b>	<b>14,269</b>	<b>-</b>	<b>969,514</b>
<b>DEPRECIATION AND IMPAIRMENT</b>								
At 1st January, 2003	47,134	40,828	122,189	47,710	26,012	11,562	394	295,829
Translation adjustment	(138)	(169)	(514)	(170)	(42)	(27)	-	(1,060)
Provided for the year	5,462	15,742	14,435	1,999	4,662	1,290	26	43,616
Eliminated on disposals	-	(1,008)	(2)	(1)	(1,590)	(821)	(420)	(3,842)
<b>At 31st December, 2003</b>	<b>52,458</b>	<b>55,393</b>	<b>136,108</b>	<b>49,538</b>	<b>29,042</b>	<b>12,004</b>	<b>-</b>	<b>334,543</b>
<b>NET BOOK VALUES</b>								
<b>At 31st December, 2003</b>	<b>186,915</b>	<b>373,094</b>	<b>43,477</b>	<b>8,281</b>	<b>20,939</b>	<b>2,265</b>	<b>-</b>	<b>634,971</b>
At 31st December, 2002	191,448	399,035	57,216	9,081	18,053	2,908	516	678,257

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 16. PROPERTY, PLANT AND EQUIPMENT (continued)

### Land and buildings

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

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 17. GOODWILL

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

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

## 18. INTANGIBLE ASSETS

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

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

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

In the opinion of the directors, the values of the Group's intangible assets are worth at least their respective carrying values at the balance sheet date.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 19. INTERESTS IN SUBSIDIARIES

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

Notes:

- (a) Impairment losses of a subsidiary amounting to HK\$23,393,000 was recognised during the year by reference to the consideration received from the disposal of this subsidiary subsequent to the balance sheet date as set out in note 38(b).
- (b) The loans are unsecured and interest-free. Loan of approximately HK\$52,667,000 was capitalised to cost of investment in the relevant subsidiary during the year ended 31st December, 2002.
- In the opinion of the directors, the outstanding balances will not be repayable within twelve months from the balance sheet date and accordingly are shown as non-current assets.
- (c) The amounts are unsecured and bear interest at prevailing market rates. In the opinion of the directors, the outstanding balances will not be repayable within twelve months from the balance sheet date and accordingly are shown as non-current assets.

Details of the Company's principal subsidiaries as at 31st December, 2003 are set out in note 42.

## 20. INTERESTS IN ASSOCIATES

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 20. INTERESTS IN ASSOCIATES (continued)

Notes:

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

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

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

- (b) Other than an amount of HK\$276,826,000 (2002: HK\$303,851,000) which is interest-free, the loans to associates are unsecured and carry interest at 10% (2002: 10%) per annum. In the opinion of the directors, the loans to associates will not be repayable within twelve months from the balance sheet date and accordingly are shown as non-current assets.

The following details have been extracted from the financial statements of the Group's significant associates.

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

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 21. INVESTMENTS IN SECURITIES

### THE GROUP

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

## 22. INVENTORIES

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 23. AMOUNTS DUE FROM SUBSIDIARIES

### THE COMPANY

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

## 24. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$140,543,000 (2002: HK\$78,520,000). The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The aged analysis of trade receivables at the balance sheet date is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Current	86,416	42,514
31 – 60 days	26,802	16,929
61 – 90 days	21,063	6,845
91 – 180 days	4,596	6,846
181 – 360 days	636	3,346
Over 360 days	1,030	2,040
	<b>140,543</b>	<b>78,520</b>

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

### THE GROUP AND THE COMPANY

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



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 26. TRADE AND OTHER PAYABLES

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

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

## 27. AMOUNTS DUE TO MINORITY SHAREHOLDERS

### THE GROUP

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

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

## 28. BANK BORROWINGS

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 29. SHARE CAPITAL

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

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK\$0.50 each '000	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
February 2003	504	1.00	0.98	505
March 2003	503	1.00	0.99	503
	1,007			1,008

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

The above shares were cancelled upon repurchase.

### (c) Share option scheme

#### (i) The Company

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

The number of shares issuable under the Scheme is not to exceed 10% of the issued share capital of the Company from time to time excluding any shares issued pursuant to the Scheme. At the date of this report, the total number of options available for issue under the Scheme amounted to 30,278,083 which represented 6.83% of the issued share capital of the Company (excluding any shares issued pursuant to the Scheme) on the same date. At 31st December, 2002, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 25,610,000, representing 6% of the shares of the Company in issue at that date.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 29. SHARE CAPITAL (continued)

### (c) Share option scheme (continued)

The aggregate of the number of shares issued under the options granted to an employee and the number of shares to be issued under the options subsisted and unexercised for the time being held by the same employee should not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

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

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

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 29. SHARE CAPITAL (continued)

### (c) Share option scheme (continued)

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 29. SHARE CAPITAL (continued)

### (c) Share option scheme (continued)

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

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 29. SHARE CAPITAL (continued)

### (c) Share option scheme (continued)

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 29. SHARE CAPITAL (continued)

### (c) Share option scheme (continued)

#### (ii) The Subsidiaries

Pursuant to the Company's shareholders approval in the extraordinary general meeting held on 11th November, 2002, the share option schemes of Appeon Corporation ("Appeon") and Galactic Computing Corporation ("Galactic"), subsidiaries of the Company, became effective. Certain directors, employees and consultants of Appeon and Galactic were granted options as an incentive to them for their continuing contribution to the companies they worked for at a consideration of HK\$1.00 on acceptance of the option offer. Details of the share option schemes of the subsidiaries are set out in the Company's circular to the shareholders dated 25th October, 2002.

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

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

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 29. SHARE CAPITAL (continued)

### (c) Share option scheme (continued)

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



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 29. SHARE CAPITAL (continued)

### (c) Share option scheme (continued)

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

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

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 29. SHARE CAPITAL (continued)

### (c) Share option scheme (continued)

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

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			
				As at 1.1.2003	Granted during the year	As at 31.12.2003	
<b>Directors of the Company</b>							
Mr. Billy Yung Kwok Kee	09.06.2003	09.06.2003 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2003 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.06.2004 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2004 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.06.2005 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2005 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.06.2006 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2006 – 10.11.2012	0.45	–	25,000	25,000	
Dr. Yung Yau	09.06.2003	09.06.2003 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2003 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.06.2004 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2004 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.06.2005 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2005 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.06.2006 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2006 – 10.11.2012	0.45	–	25,000	25,000	
				–	400,000	400,000	
Directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	16,250	–	16,250	
	25.11.2002	01.12.2003 – 10.11.2012	0.45	16,250	–	16,250	
	25.11.2002	01.06.2004 – 10.11.2012	0.45	16,250	–	16,250	
	25.11.2002	01.12.2004 – 10.11.2012	0.45	16,250	–	16,250	
	25.11.2002	01.06.2005 – 10.11.2012	0.45	16,250	–	16,250	
	25.11.2002	01.12.2005 – 10.11.2012	0.45	16,250	–	16,250	
	25.11.2002	01.06.2006 – 10.11.2012	0.45	16,250	–	16,250	
	25.11.2002	01.12.2006 – 10.11.2012	0.45	16,250	–	16,250	
		09.06.2003	09.06.2003 – 10.11.2012	0.45	–	41,250	41,250
		09.06.2003	01.12.2003 – 10.11.2012	0.45	–	41,250	41,250
		09.06.2003	01.06.2004 – 10.11.2012	0.45	–	41,250	41,250
		09.06.2003	01.12.2004 – 10.11.2012	0.45	–	41,250	41,250
		09.06.2003	01.06.2005 – 10.11.2012	0.45	–	41,250	41,250
		09.06.2003	01.12.2005 – 10.11.2012	0.45	–	41,250	41,250
		09.06.2003	01.06.2006 – 10.11.2012	0.45	–	41,250	41,250
	09.06.2003	01.12.2006 – 10.11.2012	0.45	–	41,250	41,250	
				130,000	330,000	460,000	

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 29. SHARE CAPITAL (continued)

### (c) Share option scheme (continued)

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 29. SHARE CAPITAL (continued)

### (c) Share option scheme (continued)

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

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

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

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 30. SHARE PREMIUM AND RESERVES

Details of the movements on the Group's share premium and reserves are set out in the consolidated statement of changes in equity on page 30.

The retained profits of the Group include HK\$100,215,000 (2002: HK\$89,781,000) retained by associates of the Group.

Details of the movements in the Company's reserves are as follows:

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>THE COMPANY</b>						
At 1st January, 2002						
- as originally stated	529,289	12,034	10,581	12,744	1,220,322	1,784,970
- adjustment on adoption of SSAP 12 (Revised) (Note 2)	-	-	-	-	(402)	(402)
	<u>529,289</u>	<u>12,034</u>	<u>10,581</u>	<u>12,744</u>	<u>1,219,920</u>	<u>1,784,568</u>
Revaluation decrease	-	(2,800)	-	-	-	(2,800)
Net loss for the year	-	-	-	-	(29,364)	(29,364)
Overprovision of dividend due to shares repurchased	-	-	-	(2)	2	-
Interim dividend declared	-	-	-	5,097	(5,097)	-
Dividends paid	-	-	-	(17,839)	-	(17,839)
Final dividend proposed	-	-	-	4,444	(4,444)	-
Shares repurchased	-	-	32,672	-	(66,974)	(34,302)
At 31st December, 2002	529,289	9,234	43,253	4,444	1,114,043	1,700,263
Revaluation decrease	-	(1,500)	-	-	-	(1,500)
Net profit for the year	-	-	-	-	1,211	1,211
Overprovision of dividend due to shares repurchased	-	-	-	(9)	9	-
Interim dividend declared	-	-	-	13,302	(13,302)	-
Dividends paid	-	-	-	(17,737)	-	(17,737)
Final dividend proposed	-	-	-	31,038	(31,038)	-
Shares repurchased	-	-	504	-	(1,008)	(504)
<b>At 31st December, 2003</b>	<b><u>529,289</u></b>	<b><u>7,734</u></b>	<b><u>43,757</u></b>	<b><u>31,038</u></b>	<b><u>1,069,915</u></b>	<b><u>1,681,733</u></b>

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

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 31. MINORITY INTERESTS

### THE GROUP

Pursuant to agreements entered into by the Group with minority shareholders, there are contractual obligations for the minority shareholders to contribute to the losses of the subsidiaries of which they are shareholders in proportion to the equity interests they hold in these subsidiaries.

## 32. LOANS FROM MINORITY SHAREHOLDERS

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

Note:

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

## 33. DEFERRED TAXATION

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

### THE GROUP

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 33. DEFERRED TAXATION (continued)

Represented by:

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

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

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

## THE COMPANY

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

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 34. DECONSOLIDATION OF A SUBSIDIARY

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

	2003 HK\$'000	2002 HK\$'000
Trade and other receivables	–	237
Trade and other payables	–	(425)
Minority interest	–	(237)
Net liabilities deconsolidated	–	(425)
Gain on deconsolidation of a subsidiary	–	425
	–	–

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

## 35. MAJOR NON-CASH TRANSACTIONS

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

## 36. PLEDGE OF ASSETS

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

In addition to above, certain of the Group's investment properties with an aggregate book value of HK\$234,007,000 (2002: HK\$242,481,000) were pledged as securities for credit facilities obtained from bankers. As at the balance sheet date, the amount of bank loans and other loan facilities utilised was HK\$65,160,000 (2002: HK\$65,208,000).



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 37. CONTINGENT LIABILITIES

As at the balance sheet date, the Group and the Company had the following contingent liabilities not provided for in the financial statements.

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

The Company, together with certain of its subsidiaries, issued cross guarantees to bankers as part of the security for credit facilities granted to the Company and its subsidiaries.

## 38. POST BALANCE SHEET EVENTS

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

## 39. CAPITAL COMMITMENTS

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

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

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 40. OPERATING LEASE COMMITMENTS

### The Group/Company as lessee

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

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

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

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

### The Group/Company as lessor

Property rental income earned during the year was HK\$58,663,000 (2002: HK\$57,391,000). The investment properties of the Group are expected to generate average gross rental yields of 10% on an ongoing basis. All of the investment properties held have committed tenants ranging from one to ten years.

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

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	<b>54,641</b>	57,329	<b>2,973</b>	5,193
In the second to fifth year inclusive	<b>167,898</b>	174,484	<b>975</b>	1,132
Over five years	<b>97,420</b>	135,997	–	–
	<b>319,959</b>	367,810	<b>3,948</b>	6,325

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 41. RELATED PARTY TRANSACTIONS

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

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

Notes:

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

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

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

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Appeon Corporation	British Virgin Islands	Ordinary	3,016,801 shares of US\$0.01 each	–	72.45%	Investment holding
China Hope Limited	British Virgin Islands	Ordinary	1,000 share of US\$1 each	–	100%	Investment holding
Dong Wen Investments Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
Extra-Fund Investment Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Securities trading

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US\$1	–	100%	Property investment
Full Revenue Inc.	Samoa	Ordinary	1 share of US\$1	100%	–	Investment holding
Galactic Computing Corporation	British Virgin Islands	Ordinary	7,777,780 shares of US\$0.01 each	–	100%	Investment holding
Guangdong Macro Cables Co., Ltd.	PRC (Note a)	Paid up capital	US\$20,960,000	–	98%	Manufacturing and trading of cables and electrical wires
Guangzhou SMC Car Rental Company Limited	PRC (Note a)	Paid up capital	HK\$15,000,000	–	95%	Taxi operations
Kinder Limited	Samoa	Ordinary	1 share of US\$1	–	100%	Investment holding
Kirton Corporation	Samoa	Ordinary	1 share of US\$1	–	100%	Property investment
Quanta Global Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Trading of electric fans
Quickjay Management Limited	British Virgin Islands	Ordinary	50,000 shares of US\$1 each	100%	–	Investment holding
Shell & Shinsho Company Limited	Hong Kong	Ordinary	200 shares of US\$1 each	70%	–	Investment holding and trading of materials
Shell Electric Mfg. (China) Company Limited	British Virgin Islands	Ordinary	100 shares of US\$10 each	100%	–	Trading of electric fans
Shell Electric Mfg. (China) Sdn. Bhd.	Malaysia	Ordinary	2 shares of RM1 each	100%	–	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	Samoa	Ordinary	1 share of US\$1	100%	–	Trading of electric fans
Shunde Hua Feng Stainless Steel Welded Tubes Limited	PRC (Note a)	Paid up capital	US\$6,792,000	–	90.1%	Manufacturing and trading of welded tubes
Shunde Shun Yue Highway Construction Limited	PRC (Note a)	Paid up capital	RMB81,587,000	–	52%	Operation of a highway in the PRC
佛山市順德區觀華多媒體制品有限公司	PRC (Note a)	Paid up capital	US\$9,863,300	–	100%	Manufacturing and trading of electrical appliances

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
SMC Cable Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
SMC Development Corp.	USA	Ordinary	1,000 Shares of US\$10 each	–	100%	Property development
SMC Home Products Corp.	Canada	Ordinary	2,100,100 shares of CAN\$1 each	100%	–	Property investment
SMC Industries Limited	PRC (Note a)	Paid up capital	RMB44,175,000	–	63%	Steel processing
SMC Investments Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Property investment
SMC Marketing Corp.	USA	Ordinary	10,000 shares of US\$1,021 each	100%	–	Marketing of the Group's products
SMC Microtronic Company Limited	Hong Kong	Ordinary	10,000 shares of HK\$1 each	100%	–	Provision of management services
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Trading of electrical appliances
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	–	100%	Design, management and trading of electrical appliances
SMC Property Investment Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Investment holding
SMC Steel Pipes Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
Vineyard Management Company	USA	Ordinary	1,000 shares of US\$10 each	–	100%	Property investment
業盈置業(深圳)有限公司	PRC (Note b)	Paid up capital	HK\$10,000,000	–	100%	Property investment
正陽軟件(深圳)有限公司	PRC (Note b)	Paid up capital	HK\$2,000,000	–	72.45%	Computer software development
星盈科技(深圳)有限公司	PRC (Note b)	Paid up capital	HK\$3,000,000	–	100%	Computer software and hardware development

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Notes:

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

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A complete list of all the subsidiaries of the Group will be annexed to the next annual return of the Company.

None of the subsidiaries had any debt securities outstanding during the year.

## 43. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associated company	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
MDCL-Frontline (China) Limited	British Virgin Islands	Ordinary	56,774,194 shares of HK\$1 each	–	28.34%	Trading of computer equipment and provision of computer software support services
China Dynasty Development Ltd.	British Virgin Islands	Ordinary	50,000 shares of US\$1 each	–	40%	Property and investment
Hong Kong Construction SMC Development Limited	Hong Kong	Ordinary	10,000,000 shares of HK\$1 each	–	20%	Investment holding
Kumagai SMC Development (Guangzhou) Ltd.	PRC	Paid up capital	US\$59,000,000	–	20%	Property development

# Financial Summary

## RESULTS

	For the year ended 31st December,				2003 HK\$'000
	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	
Turnover	1,295,436	2,670,481	2,212,043	1,398,211	2,000,425
(Loss) profit from operations	(68,296)	243,327	(68,817)	(26,467)	89,564
Finance costs	(9,138)	(19,843)	(34,439)	(11,812)	(25,609)
Gain (loss) on partial disposal or deconsolidation of subsidiaries	150,481	(26,082)	–	425	1,594
Share of results of associates	2,223	(110,721)	96,526	(9,131)	14,552
Gain (loss) on disposal of associates	–	–	12,512	610	(877)
Profit (loss) from ordinary activities before taxation	75,270	86,681	5,782	(46,375)	79,224
Taxation	1,627	(4,122)	(4,631)	(18,236)	(8,759)
Profit (loss) before minority interests	76,897	82,559	1,151	(64,611)	70,465
Minority interests	4,217	13,199	27,127	(3,454)	17,354
Net profit (loss) for the year	81,114	95,758	28,278	(68,065)	87,819
	HK\$	HK\$	HK\$	HK\$	HK\$
(Loss) earnings per share					
Basic	15 cents	18 cents	6 cents	(14 cents)	20 cents
Diluted	N/A	18 cents	N/A	N/A	20 cents

## ASSETS AND LIABILITIES

	At 31st December,				2003 HK\$'000
	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	
Total assets	3,077,549	2,629,775	2,706,235	2,491,744	2,584,908
Deduct:					
Total liabilities	(677,284)	(665,948)	(761,932)	(652,148)	(718,040)
Minority interests	73,314	88,539	106,924	81,078	99,564
Shareholders' funds	2,473,579	2,052,366	2,051,227	1,920,674	1,966,432

The financial information for the four years ended 31st December, 2002 have been restated to reflect the effect on the adoption of Statement of Standard Accounting Practice No. 12 (Revised) "Income Taxes" during the year.

# Particulars of Major Properties

## (A) PROPERTIES HELD AS PROPERTY, PLANT AND EQUIPMENT

Name/location	Type	Gross floor area	Effective % held	Stage of completion	Lease terms
Shell Industrial Building 12 Lee Chung Street Chaiwan, Hong Kong (Note)	Industrial premises	132,194 sq.ft. (including roof area 3,074 sq.ft.)	100%	100%	Long-term
No. 18 San Yue East Rd., Beijiao Industrial Park, Beijiao Town Shunde, Guangdong Province, People's Republic of China	Industrial premises	62,805 sq.m.	100%	100%	Medium-term
4th Floor, Kantone Centre, 1 Ning Foo Street, Chaiwan, Hong Kong	Industrial premises	4,860 sq.ft.	100%	100%	Long-term
1931 N. Great South- West Parkway, Grand Prairie, Texas, U.S.A.	Commercial premises and warehouse	97,134 sq.ft.	100%	100%	Freehold
Unit A, 22/F., Bai He Garden, Block 2, Po Bei Road 999 Nong Tsui Wai Region, Shanghai City, Shanghai, PRC	Staff quarters	161.19 sq.m.	100%	100%	Long-term
中國廣東省廣州市黃埔區 大沙鎮雙沙工業區	Industrial premises	10,948 sq.m.	100%	100%	Medium-term
The Seventh-eight Region, Economic Industrial Park, Beijiao Town, Shunde, Guangdong Province, PRC	Industrial land	48,661 sq.m. (site area of land)	100%	100%	Long-term
中國廣東省順德市 大良區紅崗村委會 飛鵝崗168號 及飛鵝山邊	Industrial premises	61,843 sq.m. (site area of land)	100%	100%	Medium-term
中國廣東省順德市 大良區紅崗居委會 紅崗村尾杏良公路 羅賓路段	Industrial premises	35,860 sq.m.	100%	100%	Medium-term

Note: Partly classified as property, plant and equipment and partly as investment properties.



# Particulars of Major Properties

## (B) PROPERTIES HELD FOR INVESTMENT

Location	Type	Gross floor area	Effective % held	Stage of completion	Lease terms
Tak King Industrial Building, Lower ground floor, 27 Lee Chung Street, Chaiwan, Hong Kong	Industrial premises	9,384 sq.ft.	100%	100%	Long-term
City of Livermore, County of Alameda, California, U.S.A. (Phases I & II)	Commercial complex	237,913 sq.ft. (Site area – 19.59 acres)	100%	100%	Freehold
63/F. and Room 7104 CITIC Plaza 233 Tianhe North Road, Tianhe Ju, Guangzhou Guangdong, PRC	Commercial	2,919 sq.m.	100%	100%	Medium-term
280 Shields Court, Markham, Ontario, Canada	Commercial premises and warehouse	87,130 sq.ft. (site area of land)	100%	100%	Freehold
中國廣東省深圳市福田保稅區紅棉道B105-19-3 地段	Hi-tech Industrial factory premises	31,348 sq.m. (site area of land)	100%	100%	Medium-term

## (C) PROPERTIES HELD BY ASSOCIATES

Gross floor Location	Effective Type	Stage of area	% held	completion
CITIC Plaza, Junction of Tianhe North Road, Lim Ho Mid Road and Lim Ho West Road Guangzhou Guangdong, PRC (excluding partly of office units)	Commercial	35,704 sq.m.	20%	100%
CITIC Plaza, Junction of Tianhe North Road, Lim Ho Mid Road and Lim Ho West Road Guangzhou Guangdong, PRC (partly of office units)	Commercial Complex	51,877 sq.m.	40%	100%