

# notes to financial statements

31 December 2002

## 1. Corporate information

The registered office of Lei Shing Hong Limited is located on 8th Floor, New World Tower I, 18 Queen's Road Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- trading of motor vehicles and spare parts
- trading of heavy equipment
- property development and investment
- general trading and services
- securities broking and trading
- trading of foreign exchange

## 2. Impact of new and revised Statements of Standard Accounting Practice ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 34: "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of these SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 39 of the Annual Report in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of foreign subsidiaries, jointly-controlled entities and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from foreign subsidiaries arising during the year are now translated into Hong Kong dollars at the exchange rates ruling at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates ruling at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes and the prior year adjustments that have resulted from them are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 and in note 37(a) to the financial statements.

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## 2. Impact of new and revised Statements of Standard Accounting Practice (“SSAPs”) *(continued)*

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in the recognition of an accrual for paid holiday carried forward by the Group’s employees as at the balance sheet date. This change in accounting policy, however, has had no material effect on the financial statements. Accordingly, no prior year adjustment has been made to restate the comparative amounts. In addition, disclosures are now required in respect of the Company’s share option scheme, as detailed in note 35 to the financial statements. These share option scheme disclosures are similar to the Listing Rules disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

## 3. Summary of significant accounting policies

### Basis of preparation

These financial statements have been prepared in accordance with Hong Kong SSAPs, accounting principles generally accepted in Hong Kong and the requirements of the Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain equity investments, as further explained below.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company’s subsidiaries.

### Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital, or controls the composition of its board of directors.

The results of subsidiaries are included in the Company’s profit and loss account to the extent of dividends received and receivable. The Company’s interests in subsidiaries are stated at cost less any impairment losses.

### Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company’s operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

# notes to financial statements

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## 3. Summary of significant accounting policies *(continued)*

### Joint venture companies *(continued)*

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds, directly or indirectly less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

### Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

### Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated against reserves at the time of acquisition, is included as part of the Group's interests in associates.

### Goodwill

Goodwill arising on the acquisition of subsidiaries, jointly-controlled entities and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

# notes to financial statements

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## 3. Summary of significant accounting policies *(continued)*

### Goodwill *(continued)*

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, goodwill arising on acquisitions was either eliminated against consolidated reserves in the year of acquisition or amortised over a period of 40 years in equal annual instalments commencing from the date of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves; and the Group elected not to retroactively restate the carrying amount of goodwill for any difference between accumulated amortisation in prior years and that calculated under the new accounting policy but to amortise the carrying amount of the goodwill over its remaining useful life. Goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries, jointly-controlled entities or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

### Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, jointly-controlled entities and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries, jointly-controlled entities or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

# notes to financial statements

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## 3. Summary of significant accounting policies *(continued)*

### Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### Trading rights

Trading rights, representing the eligibility right to trade on the Hong Kong Stock Exchange, are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the cost of the trading rights over its estimated useful life of ten years.

### Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after a fixed asset has been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

# notes to financial statements

31 December 2002

## 3. Summary of significant accounting policies (continued)

### Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

|  |   |
|--|---|
| Construction in progress                 | Nil   |
| Freehold land                            | Nil   |
| Freehold building                        | 1.6%  |
| Long term leasehold land and buildings   | Over the terms of the individual leases or 50 years, whichever is shorter |
| Medium term leasehold land and buildings | Over the terms of the individual leases                                   |
| Leasehold improvements                   | 20%   |
| Furniture, fixtures and equipment        | 20% – 33 $\frac{1}{3}$ %  |
| Motor vehicles                           | 20%   |
| Vessel                                   | 10%   |

### Construction in progress

Construction in progress represents buildings and offices under construction, which is stated at cost less any impairment losses, and not depreciated. Cost comprises the costs of construction and other related expenses incurred during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when it is completed and ready for use.

### Properties under development

Properties under development include the cost of land, construction, financing and other related expenses plus, in the case of pre-sold properties or portions thereof, any attributable profit received on the contracted sales less any provision for foreseeable losses deemed necessary by the directors.

Development properties where construction either has not yet commenced, or has been deferred are included as land held for development and are stated at cost less any impairment losses.

Properties under development held for sale in respect of which occupancy permits are expected to be granted within one year from the balance sheet date are included as properties held for sale in current assets at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

### Profit on sale of properties under development

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties is calculated by reference to the stage of completion of the properties, limited to the extent of non-refundable progress payments received. No profit is recognised until the construction work has progressed to the stage where the eventual completion of the project, and the estimated profit thereon, can be determined with a reasonable degree of certainty.

The profit or loss arising from the outright sale of an interest in an entire development prior to completion is recognised when a binding contract becomes unconditional.

# notes to financial statements

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## 3. Summary of significant accounting policies *(continued)*

### Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties with unexpired lease terms of more than 20 years are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

### Long term investments

Long term investments, other than non-trading investments in unlisted equity securities, are stated at cost less any impairment losses.

Unlisted securities are stated at their estimated fair values, on an individual basis.

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises.

### Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

### Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of motor vehicles is determined on the unit cost basis. The cost of all other inventories is determined on the weighted average basis. Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs necessary to make the sale.

### Trade receivables

Trade receivables are recognised and carried at the original invoice amount less provisions for doubtful debts. When there is no longer any realistic prospect of recovery, the outstanding amount is written off as incurred.

### Provision for doubtful loans

Provision is made against loans as and when it is considered necessary by the directors. Loans are stated in the financial statements net of this provision.

# notes to financial statements

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## 3. Summary of significant accounting policies *(continued)*

### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

### Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of foreign subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of foreign subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of foreign subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows or at an approximation thereto. Frequently recurring cash flows of foreign subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of foreign subsidiaries, jointly-controlled entities and associates and the cash flows of foreign subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements, while the adoption of the revised SSAP 15 has resulted in changes to the layout of the consolidated cash flow statement, further details of which are included in note 37(a) to the financial statements.

### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.



# notes to financial statements

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## 3. Summary of significant accounting policies *(continued)*

### Employee benefits

#### *Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Prior to the adoption of SSAP 34 during the year, as explained in note 2 to the financial statements, the Group did not accrue for paid annual leave carried forward at the balance sheet date. This change in accounting policy, however, has had no material effect on the financial statements.

#### *Employment Ordinance long service payments*

The Group's Hong Kong employees who have completed the required number of years of service to the Group are eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

#### *Retirement benefits schemes*

The Group operates an occupational retirement scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426). This scheme has been granted exemption pursuant to Section 5 of the Mandatory Provident Fund Schemes Ordinance. Contributions are made based on a percentage of the employees' basic salaries. When an employee leaves the scheme, unvested benefits will be used to reduce the ongoing employer's contributions.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Employer's contributions based on 5% of the employees' relevant income will be fully vested by the employees upon retirement.

Contributions to these schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group and managed by independent professional fund managers.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the respective local municipal governments. These PRC subsidiaries are required to contribute a specific percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

# notes to financial statements

31 December 2002

## 3. Summary of significant accounting policies *(continued)*

### Employee benefits *(continued)*

#### Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and their cost is not recorded in the profit and loss account or balance sheet. Upon the exercise of 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. Share options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

#### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

#### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

#### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Provision for product warranties granted by the Group to its customers on certain of its motor vehicles is based on sales volumes and past experience of the level of repairs.

# notes to financial statements

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## 3. Summary of significant accounting policies *(continued)*

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, properties and listed investments, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods, properties or listed investments sold;
- (b) from the rendering of repair services, based on the stage of completion of the transaction, provided that the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction;
- (c) from sale of properties under development, on the percentage of completion basis as explained under "Profit on sale of properties under development";
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective rate of interest applicable;
- (e) currency options premium, on the transaction date when the relevant currency option contract is entered into;
- (f) dividends, when the shareholders' right to receive payment is established;
- (g) trading of foreign exchange, on the transaction date when the relevant contract is entered into;
- (h) commission and brokerage income from securities dealing, on a trade date basis;
- (i) from the rendering of insurance brokerage services, when the related insurance premiums become payable;
- (j) consultancy income, when the related consultancy services are rendered; and
- (k) rental income, on a time proportion basis over the lease terms.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

### Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the capital and reserves section in the balance sheet, until they have been approved by the shareholders in annual general meetings. When these dividend have been declared and approved by the shareholders, they are recognised as liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as liability when they are proposed and declared.

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## 4. Turnover, revenue and gains

Turnover represents the net invoiced value of goods sold and repair services rendered, an appropriate proportion of revenue from the pre-sale of properties, interest income earned from time deposits, term loans, margin loans and equity linked notes, premium received from currency options, dividend income from listed investments, foreign exchange trading income, net gains on dealing in listed investments, commission and brokerage income from securities dealing and insurance income, but excludes intra-group transactions.

The Group's turnover and revenue for the year arose from the following activities:

| <i>HK\$'000</i>   | Notes | <b>2002</b>      | 2001      |
|---|-------|------------------|-----------|
| <b>Turnover</b>   |       |                  |           |
| Sales of goods  |       | <b>5,686,691</b> | 4,101,048 |
| Rendering of repair services  |       | <b>189,892</b>   | 146,747   |
| Revenue from pre-sale of properties                                   |       | <b>177,936</b>   | —         |
| Interest income from:   |       |                  |           |
| Time deposits   |       | <b>3,273</b>     | 6,491     |
| Term loans and margin loans   |       | <b>23,539</b>    | 25,155    |
| Equity linked notes   |       | <b>850</b>       | —         |
| Premium received from currency options                                |       | <b>7,487</b>     | —         |
| Dividend income from listed investments                               |       | <b>28,830</b>    | 27,117    |
| Foreign exchange trading income                                       |       | <b>41,939</b>    | 57,983    |
| Net gains on dealing in listed investments                            |       | <b>12,068</b>    | 21,914    |
| Commission and brokerage income from securities dealing               |       | <b>2,238</b>     | 4,774     |
| Insurance income  |       | <b>712</b>       | 656       |
|   |       | <b>6,175,455</b> | 4,391,885 |
| <b>Other revenue and gains</b>  |       |                  |           |
| Consultancy income  |       | <b>40,744</b>    | —         |
| Gain on disposal of subsidiaries                                      | 37(e) | <b>6,243</b>     | —         |
| Gain on disposal of an associate                                      | 37(f) | <b>11,261</b>    | —         |
| Gross rental income   |       | <b>12,117</b>    | 10,495    |
| Other interest income   |       | <b>11,647</b>    | 16,969    |
| Write-back of provision for losses on open foreign exchange positions |       | <b>—</b>         | 34,345    |
| Other income  |       | <b>30,328</b>    | 17,261    |
|   |       | <b>112,340</b>   | 79,070    |
|   |       | <b>6,287,795</b> | 4,470,955 |

# notes to financial statements

31 December 2002

## 5. Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

| <i>HK\$'000</i>   | Notes | <b>2002</b>      | 2001      |
|---|-------|------------------|-----------|
| Cost of inventories sold  |       | <b>5,214,817</b> | 3,577,875 |
| Cost of services rendered   |       | <b>82,087</b>    | 70,584    |
| Depreciation  | 13    | <b>40,485</b>    | 37,270    |
| Amortisation of goodwill arising from acquisitions of subsidiaries*               | 16    | <b>34,907</b>    | 32,356    |
| Amortisation of goodwill arising from acquisition of an associate*                | 19    | <b>10,612</b>    | 9,907     |
| Amortisation of trading rights*   | 20    | <b>300</b>       | 300       |
| Minimum lease payments under operating leases for land and buildings              |       | <b>17,959</b>    | 16,346    |
| Provision for doubtful debts  |       | <b>5,305</b>     | 6,554     |
| Provision for slow-moving inventories   |       | <b>669</b>       | 2,557     |
| Auditors' remuneration  |       | <b>2,371</b>     | 2,358     |
| Provision for product warranties  | 31    | <b>29,177</b>    | 15,459    |
| Provision for long service payments   | 31    | <b>21,629</b>    | 9,426     |
| Provision for foreseeable loss on properties held for sale                        |       | <b>52,721</b>    | —         |
| Staff costs (including directors' remuneration (note 7)):                         |       |                  |           |
| Wages and salaries  |       | <b>181,355</b>   | 144,425   |
| Pension contributions   |       | <b>7,449</b>     | 6,185     |
| Less: Forfeited contributions   |       | —                | (152)     |
| Net pension contributions   |       | <b>7,449</b>     | 6,033     |
|   |       | <b>188,804</b>   | 150,458   |
| Foreign exchange losses/(gains), net  |       | <b>27,130</b>    | (5,947)   |
| Provision/(write back of provision) for losses on open foreign exchange positions |       | <b>43,332</b>    | (34,345)  |
| Dividend income from listed investments   |       | <b>(28,830)</b>  | (27,117)  |
| (Write back of provision)/provision against loans receivable                      |       | <b>(10,000)</b>  | 20,000    |
| Unrealised (gains)/losses on revaluation of short term investments                |       | <b>(162)</b>     | 57,687    |
| Rental income, net  |       | <b>(11,629)</b>  | (10,433)  |
| Gain on disposal of subsidiaries  | 37(e) | <b>(6,243)</b>   | —         |
| Gain on disposal of an associate  | 37(f) | <b>(11,261)</b>  | —         |
| Gain on disposal of fixed assets, net   |       | <b>(1,711)</b>   | (1,704)   |
| Interest income   |       | <b>(39,309)</b>  | (48,615)  |

\* The amortisation of goodwill and trading rights for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

# notes to financial statements

31 December 2002

## 5. Profit from operating activities *(continued)*

At the balance sheet date, forfeited contributions amounting to HK\$420 (2001: HK\$35,833) were available to reduce the Group's future pension contributions. The current year's forfeited contributions had arisen in respect of staff who left the occupational retirement scheme during the year.

## 6. Finance costs

| <i>HK\$'000</i>  | Group<br>2002  | 2001    |
|--|----------------|---------|
| Interest on borrowings wholly repayable within five years: |                |         |
| Bank loans   | <b>46,235</b>  | 51,911  |
| Trust receipt loans  | <b>37,677</b>  | 39,436  |
| Bank overdrafts  | <b>5,879</b>   | 12,720  |
|  |                |         |
| Total interest   | <b>89,791</b>  | 104,067 |
| Less: Interest capitalised                                 | <b>(6,629)</b> | (178)   |
|  |                |         |
|  | <b>83,162</b>  | 103,889 |

## 7. Directors' remuneration

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

| <i>HK\$'000</i>                           | Group<br>2002 | 2001   |
|---|---------------|--------|
| Fees:                                     |               |        |
| Executive directors                       | —             | —      |
| Independent non-executive directors       | <b>180</b>    | 180    |
|   |               |        |
|   | <b>180</b>    | 180    |
| Executive directors:                      |               |        |
| Salaries, allowances and benefits in kind | <b>8,360</b>  | 9,840  |
| Pension contributions                     | <b>627</b>    | 693    |
| Performance related bonuses               | <b>2,150</b>  | 2,580  |
|   |               |        |
|   | <b>11,137</b> | 13,113 |
|   |               |        |
|   | <b>11,317</b> | 13,293 |

# notes to financial statements

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## 7. Directors' remuneration (continued)

The number of directors whose remuneration fell within the following bands is as follows:

|                             | 2002<br>Number of<br>directors | 2001<br>Number of<br>directors |
|-----------------------------|--------------------------------|--------------------------------|
| Nil-HK\$1,000,000           | 6                              | 3                              |
| HK\$1,000,001-HK\$1,500,000 | 1                              | 2                              |
| HK\$1,500,001-HK\$2,000,000 | —                              | 1                              |
| HK\$2,000,001-HK\$2,500,000 | 1                              | 1                              |
| HK\$2,500,001-HK\$3,000,000 | —                              | 1                              |
| HK\$3,500,001-HK\$4,000,000 | 2                              | 1                              |

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

## 8. Five highest paid employees

The five highest paid employees during the year included three (2001: two) executive directors, further details of whose remuneration are disclosed in note 7. The details of the remuneration of the remaining two (2001: three) non-director, highest paid employees are set out below:

| <i>HK\$'000</i>                           | Group<br>2002 | 2001         |
|---|---------------|--------------|
| Salaries, allowances and benefits in kind | 3,407         | 6,111        |
| Pension contributions                     | 228           | 407          |
| Performance related bonuses               | 1,289         | 1,655        |
|   | <b>4,924</b>  | <b>8,173</b> |

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

|                             | Group<br>2002<br>Number of<br>employees | 2001<br>Number of<br>employees |
|-----------------------------|---|--------------------------------|
| HK\$1,500,001-HK\$2,000,000 | 1                                       | —                              |
| HK\$2,000,001-HK\$2,500,000 | —                                       | 2                              |
| HK\$2,500,001-HK\$3,000,000 | 1                                       | —                              |
| HK\$3,500,001-HK\$4,000,000 | —                                       | 1                              |

# notes to financial statements

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## 9. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

| <i>HK\$'000</i>  | Note | Group<br>2002  | 2001    |
|--|------|----------------|---------|
| Group:   |      |                |         |
| Hong Kong  |      | 429            | 3,155   |
| Elsewhere  |      | 95,302         | 80,585  |
| Overprovision in prior years                             |      | (20)           | (181)   |
| Deferred tax   | 33   | —              | (309)   |
|  |      | <b>95,711</b>  | 83,250  |
| Share of tax attributable to a jointly-controlled entity |      |                |         |
| Elsewhere  |      | 15,924         | —       |
| Share of tax attributable to associates:                 |      |                |         |
| Hong Kong  |      | —              | 142     |
| Elsewhere  |      | 19,280         | 34,910  |
|  |      | <b>19,280</b>  | 35,052  |
| Tax charge for the year                                  |      | <b>130,915</b> | 118,302 |

## 10. Net profit from ordinary activities attributable to shareholders

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company is HK\$335,068,000 (2001: HK\$44,031,000).

## 11. Dividend

| <i>HK\$'000</i>   | Company<br>2002 | 2001   |
|---|-----------------|--------|
| Proposed final – HK3 cents (2001: HK3 cents) per ordinary share | <b>28,535</b>   | 28,535 |

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.



# notes to financial statements

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## 12. Earnings per share

The calculations of basic and diluted earnings per share are based on:

| <i>HK\$</i>  | 2002               | 2001        |
|--|--------------------|-------------|
| <b>Earnings</b>  |                    |             |
| Net profit attributable to shareholders, used in the basic and diluted earnings per share calculations                                       | <b>180,497,000</b> | 170,433,000 |
|  | Number of shares   |             |
|  | 2002               | 2001        |
| <b>Shares</b>  |                    |             |
| Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation                             | <b>951,168,687</b> | 951,165,000 |
| Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of all warrants outstanding during the year | <b>45,268,314</b>  | 4,126,879   |
| Weighted average number of ordinary shares used in diluted earnings per share calculation  | <b>996,437,001</b> | 955,291,879 |

# notes to financial statements

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## 13. Fixed assets

### Group

| <i>HK\$'000</i>           | Construction<br>in progress | Land and<br>buildings | Leasehold<br>improvements | Furniture,<br>fixtures and<br>equipment | Motor<br>vehicles | Vessel | Total    |
|---------------------------|-----------------------------|-----------------------|---------------------------|---|-------------------|--------|----------|
| Cost:                     |                             |                       |                           |   |                   |        |          |
| At 1 January 2002         | 16,772                      | 603,394               | 26,290                    | 128,434                                 | 69,801            | 1,850  | 846,541  |
| Exchange adjustments      | (84)                        | 17,757                | 148                       | 1,271                                   | 1,129             | —      | 20,221   |
| Additions                 | 11,577                      | 62,312                | 557                       | 24,833                                  | 21,414            | —      | 120,693  |
| Disposals                 | —                           | (666)                 | (6,505)                   | (6,040)                                 | (12,323)          | —      | (25,534) |
| Transfers                 | (8,563)                     | 8,563                 | —                         | —                                       | —                 | —      | —        |
| At 31 December 2002       | 19,702                      | 691,360               | 20,490                    | 148,498                                 | 80,021            | 1,850  | 961,921  |
| Accumulated depreciation: |                             |                       |                           |   |                   |        |          |
| At 1 January 2002         | —                           | 70,449                | 15,071                    | 83,552                                  | 36,709            | 817    | 206,598  |
| Exchange adjustments      | —                           | 2,688                 | 160                       | 776                                     | 391               | —      | 4,015    |
| Provided during the year  | —                           | 14,379                | 1,805                     | 15,074                                  | 9,042             | 185    | 40,485   |
| Disposals                 | —                           | (666)                 | (6,126)                   | (5,543)                                 | (5,899)           | —      | (18,234) |
| At 31 December 2002       | —                           | 86,850                | 10,910                    | 93,859                                  | 40,243            | 1,002  | 232,864  |
| Net book value:           |                             |                       |                           |   |                   |        |          |
| At 31 December 2002       | 19,702                      | 604,510               | 9,580                     | 54,639                                  | 39,778            | 848    | 729,057  |
| At 31 December 2001       | 16,772                      | 532,945               | 11,219                    | 44,882                                  | 33,092            | 1,033  | 639,943  |

The Group's land and buildings included above are analysed as follows:

| <i>HK\$'000</i>                    | Hong Kong | Elsewhere | Total   |
|------------------------------------|-----------|-----------|---------|
| Freehold                           | —         | 290,162   | 290,162 |
| Long term leases                   | 8,925     | 16,974    | 25,899  |
| Medium term leases                 | —         | 281,264   | 281,264 |
| Short term leases                  | —         | 7,185     | 7,185   |
| Net book value at 31 December 2002 | 8,925     | 595,585   | 604,510 |

At 31 December 2002, certain of the Group's leasehold land and buildings with a net book value of approximately HK\$10,754,000 (2001: Nil) were pledged to secure general banking facilities granted to the Group (note 32).

# notes to financial statements

31 December 2002

## 13. Fixed assets (continued)

### Company

| <i>HK\$'000</i>                           | Leasehold<br>land and<br>building | Leasehold<br>improvements | Furniture,<br>fixtures and<br>equipment | Motor<br>vehicles | Vessel | Total  |
|---|-----------------------------------|---------------------------|---|-------------------|--------|--------|
| Cost:                                     |                                   |                           |   |                   |        |        |
| At 1 January 2002 and<br>31 December 2002 | 10,500                            | 139                       | 12                                      | 8,795             | 1,850  | 21,296 |
| Accumulated depreciation:                 |                                   |                           |   |                   |        |        |
| At 1 January 2002                         | 1,365                             | 90                        | 12                                      | 8,384             | 817    | 10,668 |
| Provided during the year                  | 210                               | 19                        | —                                       | 231               | 185    | 645    |
| At 31 December 2002                       | 1,575                             | 109                       | 12                                      | 8,615             | 1,002  | 11,313 |
| Net book value:                           |                                   |                           |   |                   |        |        |
| At 31 December 2002                       | 8,925                             | 30                        | —                                       | 180               | 848    | 9,983  |
| At 31 December 2001                       | 9,135                             | 49                        | —                                       | 411               | 1,033  | 10,628 |

The Company's leasehold land and building is situated in Hong Kong and is held under a long term lease.

# notes to financial statements

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## 14. Properties under development

| <i>HK\$'000</i>   | Group<br>2002    | 2001      |
|---|------------------|-----------|
| At 1 January  | <b>1,708,551</b> | 1,596,068 |
| Exchange adjustments  | <b>(4,324)</b>   | 2,329     |
| Additions, at cost  | <b>370,163</b>   | 110,154   |
| Disposal of subsidiaries  | <b>(293,479)</b> | —         |
| Reclassified as "Properties held for sale"<br>within the current assets section in the consolidated balance sheet | <b>(528,917)</b> | —         |
| At 31 December  | <b>1,251,994</b> | 1,708,551 |

Finance cost of approximately HK\$6,629,000 (2001: HK\$178,000) was capitalised during the year.

Details of the properties under development are as follows:

| Location  | Group<br>interest | Site area             | Gross<br>floor area   | Stage of<br>completion | Expected<br>completion<br>date |
|---|-------------------|-----------------------|-----------------------|------------------------|--------------------------------|
| Phase II and III, A3 Residential Area,<br>Wang Jing New City,<br>Hua Jia Di,<br>Chaoyang District, Beijing,<br>People's Republic of China | 95%               | 100,000m <sup>2</sup> | 300,000m <sup>2</sup> | Design                 | Phase II/III<br>2005/2007      |
| China Honest Plaza,<br>Hu Bin Dong Road, Xiamen,<br>People's Republic of China  | 93%               | 15,045m <sup>2</sup>  | 120,360m <sup>2</sup> | Land bank              | —                              |
| Lots A and B, 1319, Yan An Xi Road,<br>Changning District, Shanghai,<br>People's Republic of China  | 100%*             | 14,880m <sup>2</sup>  | 78,000m <sup>2</sup>  | Design                 | 2005                           |
| Lot No. 7, Cheng Du Road,<br>Jing An District, Shanghai,<br>People's Republic of China  | 95%               | 7,358m <sup>2</sup>   | 44,148m <sup>2</sup>  | Land bank              | —                              |

\* The Group has a 100% equity interest in the subsidiary which is engaged in the development of this property. A PRC party has provided a portion of the land with a site area of 2,145m<sup>2</sup> whilst the Group finances all the development costs. The PRC party is entitled to a share of the gross floor area of 7,200m<sup>2</sup> upon completion in accordance with the terms and conditions of the land use agreement with the PRC party.

# notes to financial statements

31 December 2002

## 15. Investment properties

| <i>HK\$'000</i>      | Group<br>2002 | 2001   |
|----------------------|---------------|--------|
| At 1 January         | <b>68,885</b> | 69,691 |
| Exchange adjustments | <b>2,199</b>  | (806)  |
| At 31 December       | <b>71,084</b> | 68,885 |

| <i>HK\$'000</i>                      | Company<br>2002 | 2001  |
|--------------------------------------|-----------------|-------|
| Balance at beginning and end of year | <b>2,091</b>    | 2,091 |

The investment properties are held under medium term leases. Other details are as follows:

| Location  | Group<br>interest | Gross<br>floor area   | Existing use |
|---|-------------------|-----------------------|--------------|
| Unit 703A–B, 7th Floor,<br>Citic Building,<br>Jin Sha Road East,<br>Long Hu District,<br>Shantou, Guangdong,<br>People's Republic of China  | 100%              | 432.7m <sup>2</sup>   | Offices      |
| Rooms 1201–06 on 12th Floor<br>and whole of 24th Floor and<br>car parking space nos. 36, 37,<br>38, 39, 40 and 41 in Basement 2,<br>Guangzhou International Trading Centre,<br>No.1, Lin He Road West,<br>Tianhe District,<br>Guangzhou, Guangdong,<br>People's Republic of China | 100%              | 2,956.2m <sup>2</sup> | Offices      |
| 16th Floor and car parking space<br>nos. 51 & 52 on 2nd Tower Basement,<br>Shartex Plaza,<br>88 Zun Yi Nan Road,<br>Shanghai,<br>People's Republic of China   | 100%              | 954.0m <sup>2</sup>   | Offices      |

# notes to financial statements

31 December 2002

## 15. Investment properties *(continued)*

At 31 December 2002, the Group's investment properties were revalued on an open market, existing use basis by Chung, Chan & Associates, an independent professional qualified valuer, at values which were not significantly different from their carrying amounts. The investment properties are leased to third parties under operating leases, further details of which are included in note 40 to the financial statements.

## 16. Goodwill

The amounts of the goodwill capitalised as assets in the consolidated balance sheet, arising from the acquisitions of subsidiaries, are as follows:

| Group                     | HK\$'000       |
|---------------------------|----------------|
| Cost:                     |                |
| At 1 January 2002         | 595,893        |
| Exchange adjustments      | 107,281        |
| Additions                 | <u>8,318</u>   |
| At 31 December 2002       | <u>711,492</u> |
| Accumulated amortisation: |                |
| At 1 January 2002         | 75,715         |
| Exchange adjustments      | 17,182         |
| Provided during the year  | <u>34,907</u>  |
| At 31 December 2002       | <u>127,804</u> |
| Net book value:           |                |
| At 31 December 2002       | <u>583,688</u> |
| At 31 December 2001       | <u>520,178</u> |

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves or credited to the capital reserve, respectively; and for goodwill which was previously capitalised to be amortised over its remaining useful life.

As at 31 December 2002, the amounts of goodwill and negative goodwill remaining in consolidated reserves, arising from the acquisitions of subsidiaries prior to 1 January 2001, were HK\$3,082,000 (2001: HK\$11,724,000) and HK\$12,743,000 (2001: HK\$12,743,000), respectively. The amount of goodwill is stated at cost.

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## 17. Interests in subsidiaries

| <i>HK\$'000</i>                 | Company          |           |
|---------------------------------|------------------|-----------|
|                                 | 2002             | 2001      |
| Unlisted shares, at cost        | <b>3,366,673</b> | 3,366,673 |
| Due from subsidiaries           | <b>2,204,208</b> | 1,913,945 |
| Due to subsidiaries             | <b>(468,265)</b> | (587,174) |
|                                 | <b>5,102,616</b> | 4,693,444 |
| Less: Provisions for impairment | <b>(519,100)</b> | (206,100) |
|                                 | <b>4,583,516</b> | 4,487,344 |

Details of the principal subsidiaries are set out in note 44 to the financial statements.

## 18. Interest in a jointly-controlled entity

| <i>HK\$'000</i>     | Group          |         |
|---------------------|----------------|---------|
|                     | 2002           | 2001    |
| Share of net assets | <b>225,977</b> | 193,847 |

Particulars of the jointly-controlled entity is as follows:

| Name                           | Business structure | Place of incorporation and operation | Percentage of equity attributable to the Group |      | Principal activity        |
|--------------------------------|--------------------|--------------------------------------|--|------|---------------------------|
|                                |                    |                                      | 2002   | 2001 |                           |
| DaimlerChrysler Taiwan Limited | Corporate          | Taiwan                               | <b>34.7</b>                                    | 34.7 | Trading of motor vehicles |

## 19. Interests in associates

| <i>HK\$'000</i>                         | Group            |           |
|---|------------------|-----------|
|   | 2002             | 2001      |
| Share of net assets other than goodwill | <b>1,356,171</b> | 1,294,047 |
| Unamortised goodwill:                   |                  |           |
| At 1 January                            | <b>156,869</b>   | 177,782   |
| Exchange adjustments                    | <b>27,163</b>    | (11,006)  |
| Provided during the year                | <b>(10,612)</b>  | (9,907)   |
| At 31 December                          | <b>173,420</b>   | 156,869   |
| Due from associates                     | <b>193</b>       | 892       |
| Due to associates                       | <b>(32,078)</b>  | (29,865)  |
|   | <b>1,497,706</b> | 1,421,943 |

Details of the principal associates are set out in note 45 to the financial statements.

# notes to financial statements

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## 19. Interests in associates *(continued)*

The following is a condensed summary of certain financial information for the two years ended 31 December 2002, in respect of the major associate group, Capital Motors Inc. and its subsidiaries:

| <i>HK\$'000</i>                                     | <b>2002</b>        | 2001        |
|---|--------------------|-------------|
| <b>RESULTS</b>                                      |                    |             |
| Turnover  | <b>3,429,712</b>   | 3,098,551   |
| Net profit attributable to shareholders             | <b>128,683</b>     | 268,560     |
| The Group's share of profit before tax for the year | <b>63,352</b>      | 127,771     |
| <b>ASSETS AND LIABILITIES</b>                       |                    |             |
| Fixed assets  | <b>3,783,016</b>   | 3,722,561   |
| Other long term assets                              | <b>1,248,092</b>   | 453,800     |
| Current assets                                      | <b>414,603</b>     | 1,510,553   |
| Current liabilities                                 | <b>(1,504,203)</b> | (1,839,982) |
| Non-current liabilities                             | <b>(455,531)</b>   | (267,696)   |
| Minority interests                                  | <b>(63,788)</b>    | (58,380)    |
| Net assets  | <b>3,422,189</b>   | 3,520,856   |
| Share of net assets attributable to the Group       | <b>1,194,344</b>   | 1,228,779   |
| <b>CONTINGENT LIABILITIES</b>                       | <b>—</b>           | 22,628      |



# notes to financial statements

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## 20. Intangible asset

Group

| <i>HK\$'000</i>                        | Trading rights |
|--|----------------|
| Cost:                                  |                |
| At 1 January 2002 and 31 December 2002 | 3,000          |
| Accumulated amortisation:              |                |
| At 1 January 2002                      | 450            |
| Provided during the year               | 300            |
| At 31 December 2002                    | 750            |
| Net book value:                        |                |
| At 31 December 2002                    | 2,250          |
| At 31 December 2001                    | 2,550          |

## 21. Long term investments

| <i>HK\$'000</i>  | Group         |        | Company      |       |
|--|---------------|--------|--------------|-------|
|  | 2002          | 2001   | 2002         | 2001  |
| Overseas unlisted equity investments,<br>at fair value | 1,883         | 1,892  | —            | —     |
| Investments in PRC companies, at fair value            | 48,224        | —      | —            | —     |
| Transferable club membership debentures                | 4,782         | 6,325  | 1,820        | 1,820 |
| Statutory deposits                                     | 209           | 1,972  | —            | —     |
|  | <b>55,098</b> | 10,189 | <b>1,820</b> | 1,820 |

## 22. Short term investments

| <i>HK\$'000</i>                             | Group          |         |
|---|----------------|---------|
|   | 2002           | 2001    |
| Listed equity investments, at market value: |                |         |
| Hong Kong                                   | 36,840         | 88,423  |
| Overseas                                    | 375,904        | 435,248 |
|   | <b>412,744</b> | 523,671 |

# notes to financial statements

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## 23. Inventories

| <i>HK\$'000</i>                | Group<br>2002    | 2001    |
|--------------------------------|------------------|---------|
| Motor vehicles and spare parts | <b>1,111,045</b> | 410,068 |
| Machinery and space parts      | <b>134,825</b>   | 35,576  |
|                                | <b>1,245,870</b> | 445,644 |

## 24. Properties held for sale

| <i>HK\$'000</i>                   | Group<br>2002   | 2001 |
|-----------------------------------|-----------------|------|
| Properties held for sale, at cost | <b>360,605</b>  | —    |
| Provision for foreseeable loss    | <b>(29,436)</b> | —    |
|                                   | <b>331,169</b>  | —    |

## 25. Trade receivables

The Group has granted credit to substantially all its debtors ranging from 30–60 days. Due to certain trade patterns, a minority of debtors have been given a credit period of 90–150 days. The Group seeks to maintain strict control over its outstanding receivables and has credit control to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The aged analysis of trade receivables as at the balance sheet date, based on the payment due date and net of provisions, is as follows:

| <i>HK\$'000</i> | Group<br>2002  | 2001    |
|-----------------|----------------|---------|
| Current         | <b>516,414</b> | 188,691 |
| 0–3 months      | <b>95,561</b>  | 100,997 |
| 4–6 months      | <b>5,157</b>   | 16,400  |
| 7–12 months     | <b>—</b>       | 4,382   |
| Over 1 year     | <b>2,617</b>   | 1,989   |
|                 | <b>619,749</b> | 312,459 |

# notes to financial statements

31 December 2002

## 26. Other receivables

| <i>HK\$'000</i>          | Group          |         | Company      |      |
|--------------------------|----------------|---------|--------------|------|
|                          | 2002           | 2001    | 2002         | 2001 |
| Prepayments and deposits | 153,166        | 70,258  | 191          | 513  |
| Other debtors            | 50,906         | 31,419  | 1,197        | —    |
|                          | <b>204,072</b> | 101,677 | <b>1,388</b> | 513  |

## 27. Cash and cash equivalents and pledged time deposits

| <i>HK\$'000</i>   | Group            |           | Company       |        |
|---|------------------|-----------|---------------|--------|
|   | 2002             | 2001      | 2002          | 2001   |
| Cash and bank balances  | 341,494          | 268,811   | 30,280        | 3      |
| Time deposits   | 874,783          | 917,132   | 61,550        | 27,053 |
|   | <b>1,216,277</b> | 1,185,943 | <b>91,830</b> | 27,056 |
| Less: Pledged time deposits:  |                  |           |               |        |
| Pledged for short term bank loans                                   | (728,077)        | (693,157) | —             | —      |
| Pledged for banking facilities granted to independent third parties | —                | (25,623)  | —             | —      |
|   | <b>(728,077)</b> | (718,780) | —             | —      |
| Cash and cash equivalents   | <b>488,200</b>   | 467,163   | <b>91,830</b> | 27,056 |

## 28. Trade and bills payables

The aged analysis of trade and bills payables as at the balance sheet date, based on the payment due date, is as follows:

| <i>HK\$'000</i> | Group          |         |
|-----------------|----------------|---------|
|                 | 2002           | 2001    |
| Current         | 844,891        | 278,032 |
| 0–3 months      | 3,351          | 3,488   |
| 4–6 months      | 9,113          | 3,322   |
|                 | <b>857,355</b> | 284,842 |

# notes to financial statements

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## 29. Other payables and accruals

| <i>HK\$'000</i>   | Group          |         | Company      |       |
|-------------------|----------------|---------|--------------|-------|
|                   | 2002           | 2001    | 2002         | 2001  |
| Accruals          | <b>264,106</b> | 89,801  | <b>4,001</b> | 7,298 |
| Deposits received | <b>123,949</b> | 88,850  | <b>26</b>    | 26    |
| Other payables    | <b>20,831</b>  | 34,196  | —            | —     |
|                   | <b>408,886</b> | 212,847 | <b>4,027</b> | 7,324 |

## 30. Interest-bearing bank borrowings and other non interest-bearing borrowing

| <i>HK\$'000</i>               | Note | Group            |           | Company        |         |
|-------------------------------|------|------------------|-----------|----------------|---------|
|                               |      | 2002             | 2001      | 2002           | 2001    |
| Bank overdrafts – unsecured   | 32   | <b>40,728</b>    | 106,852   | —              | 65,198  |
| Current portion of bank loans | 32   | <b>1,099,940</b> | 822,986   | <b>105,865</b> | 16,753  |
| Trust receipt loans           | 32   | <b>1,101,249</b> | 650,623   | —              | —       |
| Other loan – unsecured        | 32   | <b>79,508</b>    | 139,721   | <b>79,508</b>  | 139,721 |
|                               |      | <b>2,321,425</b> | 1,720,182 | <b>185,373</b> | 221,672 |

## 31. Provisions

### Group

| <i>HK\$'000</i>                    | Product warranties | Long service payments | Total         |
|------------------------------------|--------------------|-----------------------|---------------|
| At 1 January 2002                  | 23,505             | 13,654                | 37,159        |
| Provided during the year           | 29,177             | 21,629                | 50,806        |
| Amounts utilised during the year   | (10,846)           | (26,714)              | (37,560)      |
| Deposits with an insurance company | —                  | (3,888)               | (3,888)       |
| Exchange adjustments               | 1,719              | 146                   | 1,865         |
| At 31 December 2002                | <b>43,555</b>      | <b>4,827</b>          | <b>48,382</b> |

The Group provides warranties to its customers on certain of its motor vehicles within the free warranty period. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained under the heading “Employee benefits” in note 3 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date, less any amount that would be expected to be met by the Group’s retirement benefit schemes.

# notes to financial statements

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## 32. Interest-bearing bank borrowings and other non interest-bearing borrowing

| <i>HK\$'000</i>   | Group              |             | Company          |           |
|---|--------------------|-------------|------------------|-----------|
|   | 2002               | 2001        | 2002             | 2001      |
| Bank overdrafts – unsecured                               | <b>40,728</b>      | 106,852     | —                | 65,198    |
| Bank loans:   |                    |             |                  |           |
| Secured   | <b>673,259</b>     | 561,051     | —                | —         |
| Unsecured   | <b>1,110,401</b>   | 1,184,534   | <b>484,117</b>   | 500,777   |
|   | <b>1,783,660</b>   | 1,745,585   | <b>484,117</b>   | 500,777   |
| Other loan – unsecured                                    | <b>79,508</b>      | 139,721     | <b>79,508</b>    | 139,721   |
| Trust receipt loans                                       | <b>1,101,249</b>   | 650,623     | —                | —         |
|   | <b>3,005,145</b>   | 2,642,781   | <b>563,625</b>   | 705,696   |
| Bank overdrafts repayable within one year<br>or on demand | <b>40,728</b>      | 106,852     | —                | 65,198    |
| Bank loans repayable:                                     |                    |             |                  |           |
| Within one year or on demand                              | <b>1,099,940</b>   | 822,986     | <b>105,865</b>   | 16,753    |
| In the second year  | <b>253,467</b>     | 310,503     | <b>159,880</b>   | 105,845   |
| In the third to fifth years, inclusive                    | <b>430,253</b>     | 612,096     | <b>218,372</b>   | 378,179   |
|   | <b>1,783,660</b>   | 1,745,585   | <b>484,117</b>   | 500,777   |
| Other loan repayable on demand                            | <b>79,508</b>      | 139,721     | <b>79,508</b>    | 139,721   |
| Trust receipt loans repayable within one year             | <b>1,101,249</b>   | 650,623     | —                | —         |
|   | <b>3,005,145</b>   | 2,642,781   | <b>563,625</b>   | 705,696   |
| Portion classified as current liabilities<br>– note 30    | <b>(2,321,425)</b> | (1,720,182) | <b>(185,373)</b> | (221,672) |
| Long term portion – unsecured                             | <b>683,720</b>     | 922,599     | <b>378,252</b>   | 484,024   |

# notes to financial statements

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## 32. Interest-bearing bank borrowings and other non interest-bearing borrowing *(continued)*

- (a) At 31 December 2002, the Group's short term bank loans amounting to HK\$666,759,000 (2001: HK\$561,051,000) were secured by fixed charges on foreign currency bank deposits of HK\$728,077,000 (2001: HK\$693,157,000).
- (b) A bank loan of the Group was secured by the Group's leasehold land and buildings, which had an aggregate net book value at the balance sheet date of approximately HK\$10,754,000 (2001: Nil).
- (c) At 31 December 2002, the Group and the Company's other loan had been advanced by a major shareholder. This loan is unsecured, interest-free and repayable on demand.

## 33. Deferred tax

| <i>HK\$'000</i>      | Note | Group<br>2002 | 2001  |
|----------------------|------|---------------|-------|
| At 1 January         |      | —             | 314   |
| Exchange adjustments |      | —             | (5)   |
| Credit for the year  | 9    | —             | (309) |
| At 31 December       |      | —             | —     |

The principal components of the Group's deferred tax not provided for in these financial statements, are as follows:

| <i>HK\$'000</i>                        | Group<br>2002 | 2001     |
|--|---------------|----------|
| Accelerated capital allowances         | 6,923         | 1,527    |
| Tax losses available for future relief | (27,661)      | (23,311) |
|  | (20,738)      | (21,784) |

The benefit of any future tax relief, which arises from losses previously incurred by the Company and certain of its subsidiaries, has not been included as an asset in the balance sheet because the directors consider it prudent not to recognise the benefit until it is assured beyond reasonable doubt.

Except for the unprovided benefit of any future tax relief, the Company had no other significant unprovided deferred tax as at the balance sheet date (2001: Nil).

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

No provision has been made for taxes which would arise on the remittance to Hong Kong of retained profits of overseas companies as it is not anticipated in this respect that material tax liability will arise in the near future.

# notes to financial statements

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## 34. Share capital

### Shares

| <i>HK\$'000</i>   | <b>2002</b>      | 2001      |
|---|------------------|-----------|
| Authorised:   |                  |           |
| 2,000,000,000 ordinary shares of HK\$1 each                   | <b>2,000,000</b> | 2,000,000 |
| Issued and fully paid:  |                  |           |
| 951,168,826 (2001: 951,165,000) ordinary shares of HK\$1 each | <b>951,169</b>   | 951,165   |

During the year, 3,826 ordinary shares of HK\$1 each were issued for cash at an exercise price of HK\$3 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK\$11,478.

A summary of the transactions during the year with reference to the above movement in the Company's ordinary share capital is as follows:

|                     | Number of<br>shares in issue | Issued and<br>fully paid<br><i>HK\$'000</i> | Share<br>premium<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------|------------------------------|---|-------------------------------------|--------------------------|
| At 1 January 2002   | 951,165,000                  | 951,165                                     | 2,459,512                           | 3,410,677                |
| Warrants exercised  | 3,826                        | 4   | 9                                   | 13                       |
| At 31 December 2002 | 951,168,826                  | 951,169                                     | 2,459,521                           | 3,410,690                |

There were no changes to the carrying amount or the number of ordinary shares in issue during the prior year.

### Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 35 to the financial statements.

### Warrants

A rights issue of warrants at an initial subscription price of HK\$0.5 per warrant was made in the proportion of one warrant for every five shares held by members on the register of members on 28 May 2001, resulting in 190,233,000 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$1 at an initial exercise price of HK\$3 per share, payable in cash and subject to adjustment, at any time from 19 June 2001 to 19 June 2006.

During the year, 3,826 warrants were exercised for 3,826 ordinary shares of HK\$1 each at HK\$3 per share. At the balance sheet date, the Company had 190,229,174 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 190,229,174 additional ordinary shares of HK\$1 each.

# notes to financial statements

31 December 2002

## 35. Share option scheme

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, these detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the Scheme include employees and directors (excluding non-executive directors) of the Company and any of its subsidiaries. The Scheme became effective on 25 June 1997 and had expired on 24 June 2002. All share options granted prior to the expiration of the Scheme will remain in full force and effect.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 5% of the issued share capital of the Company from time to time. At 31 December 2002, the number of shares issuable under share options granted under the Scheme was 8,931,000, which represented approximately 0.94% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Scheme may not exceed 25% of the maximum aggregate number of shares in respect of the options granted under the Scheme.

The offer of a grant of share options may be accepted from the date of the offer upon payment of HK\$1, being nominal consideration for the grant of an option. The granted share options may be exercised at any time during the period of eight years from the second anniversary of the date on which the share option is deemed to be granted and accepted by the holders in accordance with the provisions of the Scheme.

The exercise price of the share options is the higher of 80% of the average of the closing prices on the Stock Exchange for the five trading days immediately preceding the date of the offer of the option and the nominal value of the shares.

Since there were no share options granted under the Scheme during the year, no theoretical valuation calculations of share options granted have been made.

Share options do not confer rights on the holders to receive dividends or to vote at shareholders' meetings.



# notes to financial statements

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## 35. Share option scheme (continued)

The following share options were outstanding under the Scheme during the year:

| Name or category of participant                               | Number of share options |                   |                        | At 31 December 2002 | Date of grant of share options | Exercisable period of share options | Exercise price of share options | Price of the Company's shares at grant date of options |
|---|-------------------------|-------------------|------------------------|---------------------|--------------------------------|-------------------------------------|---------------------------------|--|
|   | At 1 January 2002       | Re-classification | Lapsed during the year |                     |                                |                                     | HK\$                            | HK\$   |
| <b>Directors</b>  |                         |                   |                        |                     |                                |                                     |                                 |  |
| GAN Khian Seng  | 500,000                 | —                 | —                      | <b>500,000</b>      | 2-8-1997                       | 1-9-1999 to 31-8-2007               | 5.89                            | 7.75   |
|   | 200,000                 | —                 | —                      | <b>200,000</b>      | 24-1-1998                      | 31-1-2000 to 30-1-2008              | 6.00                            | 7.45   |
| YONG Foo San, JP  | 500,000                 | —                 | —                      | <b>500,000</b>      | 2-8-1997                       | 21-8-1999 to 20-8-2007              | 5.89                            | 7.75   |
|   | 200,000                 | —                 | —                      | <b>200,000</b>      | 24-1-1998                      | 27-1-2000 to 26-1-2008              | 6.00                            | 7.45   |
| HARMS Volker<br>Josef Eckehard                                | 500,000                 | —                 | —                      | <b>500,000</b>      | 2-8-1997                       | 2-8-1999 to 1-8-2007                | 5.89                            | 7.75   |
|   | 200,000                 | —                 | —                      | <b>200,000</b>      | 24-1-1998                      | 24-1-2000 to 23-1-2008              | 6.00                            | 7.45   |
| LIM Mooi Ying,<br>Marianne<br>(appointed on<br>18 April 2002) | —                       | 500,000           | —                      | <b>500,000</b>      | 2-8-1997                       | 2-8-1999 to 1-8-2007                | 5.89                            | 7.75   |
|   | —                       | 200,000           | —                      | <b>200,000</b>      | 24-1-1998                      | 27-1-2000 to 26-1-2008              | 6.00                            | 7.45   |
| LAU Chor Lok<br>(Note 1)                                      | 500,000                 | (500,000)         | —                      | —                   | 2-8-1997                       | 29-8-1999 to 28-8-2007              | 5.89                            | 7.75   |
|   | 200,000                 | (200,000)         | —                      | —                   | 24-1-1998                      | 23-2-2000 to 22-2-2008              | 6.00                            | 7.45   |
| LAU Kwok Kee<br>(Note 1)                                      | 500,000                 | (500,000)         | —                      | —                   | 2-8-1997                       | 19-8-1999 to 18-8-2007              | 5.89                            | 7.75   |
|   | 200,000                 | (200,000)         | —                      | —                   | 24-1-1998                      | 27-1-2000 to 26-1-2008              | 6.00                            | 7.45   |
|   | 3,500,000               | (700,000)         | —                      | <b>2,800,000</b>    |                                |                                     |                                 |  |
| <b>Other employees<br/>in aggregate</b>                       | 3,175,000               | 500,000           | —                      | <b>3,675,000</b>    | 2-8-1997                       | (Note 2)                            | 5.89                            | 7.75   |
|   | 2,306,000               | 200,000           | (50,000)               | <b>2,456,000</b>    | 24-1-1998                      | (Note 2)                            | 6.00                            | 7.45   |
|   | 5,481,000               | 700,000           | (50,000)               | <b>6,131,000</b>    |                                |                                     |                                 |  |
|   | 8,981,000               | —                 | (50,000)               | <b>8,931,000</b>    |                                |                                     |                                 |  |

### Notes

1. With effect from 9 July 2002, Mr Lau Chor Lok and Mr Lau Kwok Kee resigned as directors of the Company.
2. The granted share options may be exercised at any time during the period of eight years from the second anniversary of the date on which the share option is deemed to be granted and accepted by the holders in accordance with the provisions of the Scheme.

# notes to financial statements

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## 35. Share option scheme *(continued)*

At the balance sheet date, the Company had 8,931,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 8,931,000 additional ordinary shares of the Company and an additional share capital of HK\$8,931,000 and share premium of HK\$44,030,750 before the related share issue expenses.

## 36. Reserves

### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 39 of the Annual Report.

Pursuant to the respective laws and regulations for Sino-foreign joint venture enterprises and Korean incorporated companies, a portion of the profits of subsidiaries and associates of the Group in the PRC and the Republic of Korea ("Korea") has been transferred to reserve funds.

Certain amounts of goodwill and negative goodwill arising on the acquisitions of subsidiaries remain eliminated against retained profits and credited to the capital reserve, as explained in note 16 to the financial statements.

### (b) Company

| <i>HK\$'000</i>                           | Note | Share premium account | Warrant subscription reserve | Retained profits | Total     |
|---|------|-----------------------|------------------------------|------------------|-----------|
| At 1 January 2001                         |      | 2,459,512             | —                            | 270,076          | 2,729,588 |
| Rights issue of warrants                  |      | —                     | 95,117                       | —                | 95,117    |
| Warrants issue expenses                   |      | —                     | (3,469)                      | —                | (3,469)   |
| Net profit for the year                   |      | —                     | —                            | 44,031           | 44,031    |
| Proposed 2001 final dividend              | 11   | —                     | —                            | (28,535)         | (28,535)  |
| At 31 December 2001 and<br>1 January 2002 |      | 2,459,512             | 91,648                       | 285,572          | 2,836,732 |
| Exercise of warrants                      |      | 9                     | (2)                          | —                | 7         |
| Net profit for the year                   |      | —                     | —                            | 335,068          | 335,068   |
| Proposed 2002 final dividend              | 11   | —                     | —                            | (28,535)         | (28,535)  |
| At 31 December 2002                       |      | 2,459,521             | 91,646                       | 592,105          | 3,143,272 |

# notes to financial statements

31 December 2002

## **37. Notes to the consolidated cash flow statement**

### **(a) Prior year adjustments**

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the cash flow statement. The cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that dividends from listed investments, rental received, interest received and taxes paid are now included in cash flows from operating activities, dividends received from associates and other interest received are now included in cash flows from investing activities, and interest and dividends paid and trust receipt loans are now included in cash flows from financing activities. The presentation of the 2001 comparative cash flow statement has been changed to accord with the new layout.

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading "Foreign currencies" in note 3 to the financial statements. Cash flows of foreign subsidiaries are now translated into Hong Kong dollars at the exchanges rates ruling at the dates of the cash flows or at an approximation thereto. Frequently recurring cash flows of foreign subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year. Previously the cash flows of foreign subsidiaries were translated into Hong Kong dollars at the exchanges rates ruling at the balance sheet date. This change had no significant impact on the 2001 comparative cash flows statement.

### **(b) Major non-cash transactions**

During the year, the Group acquired an additional interest in a subsidiary from the minority shareholders as settlement for the amounts due from the minority shareholders of approximately HK\$16,191,000.

In addition, part of the consideration for the disposal of subsidiaries amounting to HK\$125,000,000 was satisfied in the form of loans receivable from the purchasers.

### **(c) Restricted cash and cash equivalent balances**

Certain of the Group's time deposits are pledged to a bank to secure bank loans granted to the Group, as further explained in notes 30 and 32 to the financial statements.

# notes to financial statements

31 December 2002

## 37. Notes to the consolidated cash flow statement (continued)

### (d) Purchase of additional interests in subsidiaries during the year

| <i>HK\$'000</i>  | <b>2002</b>   |
|--|---------------|
| Purchase of additional interests in the subsidiaries, previously accounted for as minority interests | <b>46,485</b> |
| Goodwill on acquisition  | <b>8,318</b>  |
|  | <b>54,803</b> |
| Satisfied by:  |               |
| Cash paid  | <b>32,376</b> |
| Cash payable   | <b>6,236</b>  |
| Settlement of amounts due from the minority shareholders   | <b>16,191</b> |
|  | <b>54,803</b> |

The analysis of the net outflow of cash and cash equivalents in respect of the purchase of additional interests in subsidiaries during the year ended 31 December 2002 was as follows:

| <i>HK\$'000</i>   | <b>2002</b>   |
|---|---------------|
| Outflow of cash and cash equivalents in respect of the purchase of additional interests in subsidiaries | <b>32,376</b> |

### (e) Disposal of subsidiaries during the year

| <i>HK\$'000</i>   | <b>2002</b>     |
|---|-----------------|
| Net assets disposed of:                                 |                 |
| Property under development                              | <b>293,479</b>  |
| Short term investments                                  | <b>127,724</b>  |
| Accounts receivable, prepayments and deposits           | <b>9</b>        |
| Cash and bank balances                                  | <b>10,331</b>   |
| Accounts payable, accruals and deposits received        | <b>(10,331)</b> |
|   | <b>421,212</b>  |
| Exchange reserve released                               | <b>(2,827)</b>  |
| Goodwill previously eliminated against reserve released | <b>7,342</b>    |
| Incidental costs on disposal                            | <b>11,990</b>   |
| Gain on disposal of subsidiaries                        | <b>6,243</b>    |
|   | <b>443,960</b>  |
| Satisfied by:   |                 |
| Cash received   | <b>318,960</b>  |
| Loans receivable  | <b>125,000</b>  |
|   | <b>443,960</b>  |

# notes to financial statements

31 December 2002

## 37. Notes to the consolidated cash flow statement (continued)

### (e) Disposal of subsidiaries during the year (continued)

The analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries during the year ended 31 December 2002 was as follows:

| <i>HK\$'000</i>  | <b>2002</b>     |
|--|-----------------|
| Cash received  | <b>318,960</b>  |
| Cash and bank balances disposed of   | <b>(10,331)</b> |
| Incidental costs paid for disposal   | <b>(8,680)</b>  |
|  |                 |
| Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries | <b>299,949</b>  |

The results of subsidiaries disposed of during the year had no significant impact on the Group's consolidated turnover or profit after tax for the year.

### (f) Disposal of an associate during the year

| <i>HK\$'000</i>  | <b>2002</b>   |
|--|---------------|
| Share of net assets value disposed of                    | <b>16,260</b> |
| Exchange reserve released                                | <b>179</b>    |
| Goodwill previously eliminated against reserves released | <b>1,300</b>  |
| Gain on disposal of an associate                         | <b>11,261</b> |
|  |               |
|  | <b>29,000</b> |
|  |               |
| Satisfied by:  |               |
| Cash received  | <b>29,000</b> |

The analysis of the net inflow of cash and cash equivalents in respect of the disposal of an associate during the year ended 31 December 2002 was as follows:

| <i>HK\$'000</i>  | <b>2002</b>   |
|--|---------------|
| Inflow of cash and cash equivalents in respect of the disposal of an associate | <b>29,000</b> |

# notes to financial statements

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## 38. Contingent liabilities

At the balance sheet date, the Group had contingent liabilities in respect of bills discounted with recourse and bank guarantees given in lieu of deposit payments, amounting to HK\$241,541,000 (2001: HK\$124,161,000) and HK\$8,805,000 (2001: HK\$14,262,000), respectively.

At the balance sheet date, the Company had contingent liabilities relating to guarantees given to banks to secure general banking facilities granted to subsidiaries and an associate amounting to HK\$3,457,796,000 (2001: HK\$3,309,546,000).

## 39. Pledge of assets

Details of the Group's bank borrowings secured by assets of the Group are included in note 32 to the financial statements.

As at 31 December 2001, a subsidiary had pledged time deposits of approximately HK\$25,623,000 to secure banking facilities granted to independent third parties. During the year, the pledge was released.

## 40. Operating lease arrangements

### (a) As lessor

The Group leases its investment properties (note 15 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 9 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| <i>HK\$'000</i>                         | Group         |        |
|---|---------------|--------|
|   | 2002          | 2001   |
| Within one year                         | <b>13,837</b> | 7,870  |
| In the second to fifth years, inclusive | <b>32,827</b> | 4,808  |
| Beyond five years                       | <b>22,928</b> | —      |
|   | <b>69,592</b> | 12,678 |

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## 40. Operating lease arrangements *(continued)*

### (b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 12 years.

At 31 December 2002, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| <i>HK\$'000</i>                         | Group         |        | Company |       |
|---|---------------|--------|---------|-------|
|   | 2002          | 2001   | 2002    | 2001  |
| Within one year                         | <b>16,802</b> | 12,215 | —       | 5,770 |
| In the second to fifth years, inclusive | <b>11,569</b> | 4,923  | —       | 3,194 |
| Beyond five years                       | <b>14,112</b> | —      | —       | —     |
|   | <b>42,483</b> | 17,138 | —       | 8,964 |

## 41. Commitments

In addition to the operating lease commitments detailed in note 40(b) above, the Group and the Company had the following commitments at the balance sheet date:

### (a) Capital commitments

| <i>HK\$'000</i>                               | Group          |         |
|---|----------------|---------|
|   | 2002           | 2001    |
| Contracted for:                               |                |         |
| Properties under development                  | <b>461,463</b> | 737,370 |
| Construction in progress                      | <b>1,030</b>   | —       |
| Leasehold improvements                        | —              | 7,896   |
| Furniture, fixtures and equipment             | —              | 294     |
| Capital contributions payable to subsidiaries | <b>31,820</b>  | —       |
|   | <b>494,313</b> | 745,560 |
| Authorised, but not contracted for:           |                |         |
| Construction in progress                      | <b>77,797</b>  | —       |
| Total capital commitments                     | <b>572,110</b> | 745,560 |

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## 41. Commitments *(continued)*

### (b) Financial derivatives

| <i>HK\$'000</i>                    | Group<br>2002  | 2001    |
|------------------------------------|----------------|---------|
| Foreign exchange forward contracts | 36,745         | 485,770 |
| Currency options written (note)    | 77,990         | —       |
|                                    | <b>114,735</b> | 485,770 |

Note: These currency options lapsed unexercised on 21 January 2003.

The notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date. They do not represent amounts at risk.

## 42. Related party transactions

The Group had the following transactions with related parties during the year:

| <i>HK\$'000</i> | 2002  | 2001  |
|-----------------|-------|-------|
| Interest income | 1,184 | 1,709 |

A wholly-owned subsidiary of the Group which is involved in the financial services business provided advances to related parties of an ex-director of the Company in the ordinary and normal course of business of that subsidiary on commercial terms. The director resigned on 9 July 2002. These transactions also constituted connected transactions as defined in the Listing Rules.

At 31 December 2002, the amounts due from related parties amounted to HK\$9,747,000 (2001: HK\$24,758,000).



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## 43. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the trading of motor vehicles and spare parts segment engages in the distribution of Mercedes-Benz passenger cars and the related after-sales services in the Northern and Eastern regions of the PRC and Korea;
- (b) the trading of heavy equipment segment handles the distribution of Caterpillar heavy equipment in the Eastern region of the PRC;
- (c) the property development and investment segment engages in property development and real estate management of the Group's property portfolio in the PRC;
- (d) the general trading and services segment engages in the trading of timbers, manufactured wood products, ceramic tiles, fertilizers and watch components;
- (e) the securities broking and trading segment engages in the provision of securities broking services and the trading in listed equity investments in Hong Kong and overseas;
- (f) the trading of foreign exchange segment engages in foreign exchange investments; and
- (g) the others segment comprises the Group's other businesses together with corporate income and expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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## 43. Segment information (continued)

### (a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

#### Group

| HK\$'000   | Trading of motor vehicles and spare parts |                  | Trading of heavy equipment |                | Property development and investment |              | General trading and services |                  |
|--|---|------------------|----------------------------|----------------|-------------------------------------|--------------|------------------------------|------------------|
|  | 2002                                      | 2001             | 2002                       | 2001           | 2002                                | 2001         | 2002                         | 2001             |
| Segment revenue:   |   |                  |                            |                |                                     |              |                              |                  |
| Sales to external customers                                      | 3,543,817                                 | 2,533,919        | 1,314,707                  | 737,924        | 177,936                             | —            | 1,018,060                    | 975,952          |
| Intersegment sales   | —   | —                | —                          | —              | —                                   | —            | 2,564,219                    | 1,024,813        |
| Intersegment revenue   | —   | —                | —                          | —              | 690                                 | 979          | 34,655                       | 4,695            |
| Other revenue  | 72,767                                    | 19,414           | 16,787                     | 8,898          | 846                                 | 1,797        | 3,665                        | 12,517           |
| <b>Total</b>   | <b>3,616,584</b>                          | <b>2,553,333</b> | <b>1,331,494</b>           | <b>746,822</b> | <b>179,472</b>                      | <b>2,776</b> | <b>3,620,599</b>             | <b>2,017,977</b> |
| Segment results  | 153,490                                   | 193,727          | 66,550                     | 24,372         | (68,824)                            | (5,522)      | 59,579                       | 41,219           |
| Finance costs  |   |                  |                            |                |                                     |              |                              |                  |
| Share of profits less losses of:                                 |   |                  |                            |                |                                     |              |                              |                  |
| A jointly-controlled entity                                      | 49,981                                    | (4,066)          | —                          | —              | —                                   | —            | —                            | —                |
| Associates   | 57,011                                    | 135,794          | —                          | —              | —                                   | —            | 975                          | (1,663)          |
| Profit before tax  |   |                  |                            |                |                                     |              |                              |                  |
| Tax  |   |                  |                            |                |                                     |              |                              |                  |
| Profit before minority interests                                 |   |                  |                            |                |                                     |              |                              |                  |
| Minority interests   |   |                  |                            |                |                                     |              |                              |                  |
| Net profit from ordinary activities attributable to shareholders |   |                  |                            |                |                                     |              |                              |                  |
| Segment assets   | 3,281,787                                 | 2,115,994        | 286,450                    | 146,751        | 1,671,180                           | 1,794,724    | 1,003,217                    | 423,774          |
| Interest in a jointly-controlled entity                          | 255,977                                   | 193,847          | —                          | —              | —                                   | —            | —                            | —                |
| Interests in associates  | 1,507,876                                 | 1,420,251        | —                          | —              | —                                   | —            | (20,174)                     | (22,914)         |
| <b>Total assets</b>  |   |                  |                            |                |                                     |              |                              |                  |
| Segment liabilities  | 1,542,427                                 | 608,602          | 204,368                    | 54,083         | 185,277                             | 31,790       | 159,772                      | 81,634           |
| Unallocated liabilities  |   |                  |                            |                |                                     |              |                              |                  |
| <b>Total liabilities</b>   |   |                  |                            |                |                                     |              |                              |                  |
| Other segment information:                                       |   |                  |                            |                |                                     |              |                              |                  |
| Depreciation   | 29,850                                    | 27,938           | 6,481                      | 6,448          | 2,904                               | 1,077        | —                            | 37               |
| Amortisation   | 45,519                                    | 42,263           | —                          | —              | —                                   | —            | —                            | —                |
| Other non-cash expenses  | 52,880                                    | 22,134           | —                          | 5,399          | 52,721                              | —            | —                            | —                |
| Capital expenditure  | 109,776                                   | 49,890           | 8,127                      | 5,973          | 1,921                               | 9,710        | —                            | 26               |

|  | Securities broking and trading |          | Trading of foreign exchange |         | Others  |          | Eliminations |             | Consolidated |           |
|--|--------------------------------|----------|-----------------------------|---------|---------|----------|--------------|-------------|--------------|-----------|
|  | 2002                           | 2001     | 2002                        | 2001    | 2002    | 2001     | 2002         | 2001        | 2002         | 2001      |
|  | 44,091                         | 57,959   | 51,758                      | 57,983  | 25,086  | 28,148   | —            | —           | 6,175,455    | 4,391,885 |
|  | —                              | —        | —                           | —       | —       | —        | (2,564,219)  | (1,024,813) | —            | —         |
|  | —                              | —        | —                           | —       | 29,341  | —        | (64,686)     | (5,674)     | —            | —         |
|  | 6,605                          | 411      | —                           | 34,345  | 11,670  | 1,688    | —            | —           | 112,340      | 79,070    |
|  | 50,696                         | 58,370   | 51,758                      | 92,328  | 66,097  | 29,836   | (2,628,905)  | (1,030,487) | 6,287,795    | 4,470,955 |
|  | 33,881                         | (14,593) | 13,330                      | 81,203  | 53,337  | (15,208) | (15,978)     | (4,623)     | 295,365      | 300,575   |
|  |                                |          |                             |         |         |          |              |             | (83,162)     | (103,889) |
|  | —                              | —        | —                           | —       | —       | —        | —            | —           | 49,981       | (4,066)   |
|  | —                              | —        | —                           | —       | 1,778   | 3,714    | —            | —           | 59,764       | 137,845   |
|  |                                |          |                             |         |         |          |              |             | 321,948      | 330,465   |
|  |                                |          |                             |         |         |          |              |             | (130,915)    | (118,302) |
|  |                                |          |                             |         |         |          |              |             | 191,033      | 212,163   |
|  |                                |          |                             |         |         |          |              |             | (10,536)     | (41,730)  |
|  |                                |          |                             |         |         |          |              |             | 180,497      | 170,433   |
|  | 457,053                        | 538,236  | 728,077                     | 693,158 | 495,695 | 361,446  | (821,702)    | (294,034)   | 7,101,757    | 5,780,049 |
|  | —                              | —        | —                           | —       | —       | —        | —            | —           | 225,977      | 193,847   |
|  | —                              | —        | —                           | —       | 10,004  | 24,606   | —            | —           | 1,497,706    | 1,421,943 |
|  |                                |          |                             |         |         |          |              |             | 8,825,440    | 7,395,839 |
|  | 24,844                         | 28,293   | 666,759                     | 561,050 | 19,637  | 24,352   | (821,702)    | (294,094)   | 1,981,382    | 1,095,710 |
|  |                                |          |                             |         |         |          |              |             | 2,390,701    | 2,125,704 |
|  |                                |          |                             |         |         |          |              |             | 4,372,083    | 3,221,414 |
|  | 81                             | 80       | —                           | —       | 1,169   | 1,690    | —            | —           | 40,485       | 37,270    |
|  | 300                            | 300      | —                           | —       | —       | —        | —            | —           | 45,819       | 42,563    |
|  | —                              | 57,687   | 43,332                      | —       | 4,907   | 26,463   | —            | —           | 153,840      | 111,683   |
|  | 130                            | 93       | —                           | —       | 739     | 494      | —            | —           | 120,693      | 66,186    |

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## 43. Segment information *(continued)*

### (b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

#### Group

| HK\$'000                    | Hong Kong        |           | People's Republic of China<br>Mainland China |           | Other Asian countries |           | Eliminations     |           | Consolidated     |           |
|-----------------------------|------------------|-----------|--|-----------|-----------------------|-----------|------------------|-----------|------------------|-----------|
|                             | 2002             | 2001      | 2002   | 2001      | 2002                  | 2001      | 2002             | 2001      | 2002             | 2001      |
| Segment revenue:            |                  |           |  |           |                       |           |                  |           |                  |           |
| Sales to external customers | <b>944,145</b>   | 1,196,571 | <b>3,464,259</b>                             | 2,069,151 | <b>1,767,051</b>      | 1,126,163 | —                | —         | <b>6,175,455</b> | 4,391,885 |
| Other segment information:  |                  |           |  |           |                       |           |                  |           |                  |           |
| Segment assets              | <b>2,272,110</b> | 991,026   | <b>3,378,112</b>                             | 2,806,921 | <b>2,273,237</b>      | 2,276,136 | <b>(821,702)</b> | (294,034) | <b>7,101,757</b> | 5,780,049 |
| Capital expenditure         | <b>13,233</b>    | 2,270     | <b>51,909</b>                                | 45,119    | <b>55,551</b>         | 18,797    | —                | —         | <b>120,693</b>   | 66,186    |

## 44. Subsidiaries

| Name   | Business structure                   | Place of incorporation/ registration and operations | Nominal value of issued ordinary share capital/ registered capital | Percentage of equity attributable to the Company |      | Principal activities                  |
|--|--------------------------------------|---|--|--|------|---------------------------------------|
|  |                                      |   |  | 2002   | 2001 |                                       |
| Lei Shing Hong Automobile Limited <sup>#</sup>           | Corporate                            | Hong Kong   | HK\$2,200 million  | <b>100</b>                                       | 100  | Investment holding                    |
| Eastern Star Automobile Limited                          | Corporate                            | Hong Kong   | HK\$10,000   | <b>100</b>                                       | 100  | Trading of motor vehicles             |
| Shanghai Eastern Star Automobile Trading Company Limited | WFOE+                                | PRC   | US\$4,460,000  | <b>100</b>                                       | 100  | Trading of motor vehicles             |
| Shanghai Star Automobile Service Company Limited         | Sino-foreign co-operative enterprise | PRC   | US\$1,800,000  | <b>100</b>                                       | 100  | Motor vehicle repairs and maintenance |

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## 44. Subsidiaries (continued)

| Name  | Business structure                    | Place of incorporation/ registration and operations | Nominal value of issued ordinary share capital/ registered capital | Percentage of equity attributable to the Company |      | Principal activities                             |
|---|---------------------------------------|---|--|--|------|--|
|   |                                       |   |  | 2002   | 2001 |  |
| Xiamen Airport Star Automobile Repair Centre Limited*     | Sino-foreign co-operative enterprise  | PRC   | RMB12,500,000  | 60   | 60   | Motor vehicle repairs and maintenance            |
| Pasture Developments Limited                              | Corporate                             | British Virgin Islands®                             | US\$100  | 100  | 100  | Investment holding                               |
| Glory Sheen Investment Limited                            | Corporate                             | Hong Kong   | HK\$10,000   | 100  | 100  | Investment holding                               |
| Big Dragon Limited  | Corporate                             | British Virgin Islands®                             | HK\$10,000   | 100  | 100  | Investment holding                               |
| Han Sung Motor Company Limited                            | Corporate                             | Korea   | WON7,550 million   | 97   | 97   | Investment holding and trading of motor vehicles |
| Asia Pacific Star Limited                                 | Corporate                             | British Virgin Islands®                             | US\$1  | 100  | 100  | Investment holding                               |
| Beijing Star Automobile Service Company Limited*          | Sino-foreign joint venture enterprise | PRC   | US\$10,000,000   | 60   | 60   | Motor vehicle repairs and maintenance            |
| Jinan Star Automobile Repair and Service Company Limited* | Sino-foreign joint venture enterprise | PRC   | US\$5,000,000  | 60   | 60   | Motor vehicle repairs and maintenance            |
| Dalian Star Automobile Service Company Limited*           | Sino-foreign joint venture enterprise | PRC   | US\$5,000,000  | 51   | 51   | Motor vehicle repairs and maintenance            |

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## 44. Subsidiaries (continued)

| Name  | Business structure                    | Place of incorporation/ registration and operations | Nominal value of issued ordinary share capital/ registered capital | Percentage of equity attributable to the Company |      | Principal activities                              |
|---|---------------------------------------|---|--|--|------|---|
|   |                                       |   |  | 2002   | 2001 |   |
| Qingdao Star Automobile Service Company Limited*    | Sino-foreign joint venture enterprise | PRC   | US\$1,650,000  | 60   | 60   | Motor vehicle repairs and maintenance             |
| Northern Star Automobile (Hong Kong) Limited        | Corporate                             | Hong Kong   | HK\$1,000  | 59   | 56   | Trading of motor vehicles                         |
| Northern Star (Tianjin) Automobile Limited*         | Sino-foreign joint venture enterprise | PRC   | US\$30,000,000   | 59   | 56   | Trading of motor vehicles                         |
| Kalstar (S) Pte. Limited*#                          | Corporate                             | Singapore   | S\$7,000,000   | 100  | 100  | Trading of vehicle spare parts                    |
| Lei Shing Hong Machinery Limited#                   | Corporate                             | Hong Kong   | HK\$100,000,000  | 100  | 100  | Investment holding and trading of heavy machinery |
| Lei Shing Hong Machinery (Kunshan) Company Limited  | WFOE+                                 | PRC   | US\$6,000,000  | 100  | 100  | Trading of heavy machinery                        |
| Lei Shing Hong Machinery (Shanghai) Company Limited | WFOE+                                 | PRC   | US\$500,000  | 100  | 100  | Trading of heavy machinery                        |
| Bonview Developments Limited                        | Corporate                             | British Virgin Islands®                             | US\$1  | 100  | 100  | Investment holding                                |

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## 44. Subsidiaries (continued)

| Name  | Business structure                    | Place of incorporation/ registration and operations | Nominal value of issued ordinary share capital/ registered capital | Percentage of equity attributable to the Company |      | Principal activities |
|---|---------------------------------------|---|--|--|------|----------------------|
|   |                                       |   |  | 2002   | 2001 |                      |
| Xiamen China Honest Property Development Limited*       | WFOE+                                 | PRC   | US\$5,000,000  | 100  | 100  | Property development |
| Lei Shing Hong Properties Limited <sup>#</sup>          | Corporate                             | Hong Kong   | HK\$1,000 million  | 100  | 100  | Investment holding   |
| Lei Shing Hong Properties (China) Limited               | Corporate                             | Hong Kong   | HK\$10,000   | 100  | 100  | Investment holding   |
| Shanghai Lee Kwok Properties Limited* <sup>©</sup>      | WFOE+                                 | PRC   | US\$12,000,000   | 100  | —    | Property development |
| Beijing Bao Xing Property Company Limited*              | Sino-foreign joint venture enterprise | PRC   | US\$12,000,000   | 95   | 67   | Property development |
| Lei Sing Property Development (Shanghai) Limited*       | Sino-foreign joint venture enterprise | PRC   | US\$20,000,000   | 95   | 95   | Property development |
| Lei Shing Hong Trading Limited <sup>#</sup>             | Corporate                             | Hong Kong   | HK\$10,000,000   | 100  | 100  | General trading      |
| Lei Shing Hong Wood Products Limited                    | Corporate                             | British Virgin Islands <sup>®</sup>                 | US\$2,000,000  | 100  | 100  | General trading      |
| Lei Shing Hong Wood Products (Shanghai) Company Limited | WFOE+                                 | PRC   | US\$1,000,000  | 100  | 100  | General trading      |

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## 44. Subsidiaries (continued)

| Name  | Business structure | Place of incorporation/ registration and operations | Nominal value of issued ordinary share capital/ registered capital | Percentage of equity attributable to the Company |      | Principal activities                                      |
|---|--------------------|---|--|--|------|---|
|   |                    |   |  | 2002   | 2001 |   |
| Lei Shing Hong Capital Limited <sup>#</sup> | Corporate          | Hong Kong   | HK\$10,000   | 100  | 100  | Financial services  |
| Lei Shing Hong Investment Limited           | Corporate          | Hong Kong   | HK\$10,000   | 100  | 100  | Share trading and investment and foreign exchange trading |
| Lei Shing Hong Securities Limited           | Corporate          | Hong Kong   | HK\$100,000,000  | 100  | 100  | Securities dealing  |
| Forrader Corporation                        | Corporate          | British Virgin Islands <sup>@</sup>                 | US\$1  | 100  | 100  | Share trading and investment                              |
| Forever Top Investments Limited             | Corporate          | British Virgin Islands <sup>@</sup>                 | US\$1  | 100  | 100  | Share trading and investment                              |
| Lei Shing Hong Insurance Services Limited   | Corporate          | Hong Kong   | HK\$100,000  | 100  | 100  | Insurance brokerage                                       |
| Lei Shing Hong Finance Limited              | Corporate          | Hong Kong   | HK\$40,000,000   | 100  | 100  | Financial services  |
| Lei Shing Hong Credit Limited               | Corporate          | Hong Kong   | HK\$10,000   | 100  | 100  | Financial services  |

The above summary lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

- \* Audited by public accountants other than Ernst & Young
- # Directly held by the Company
- @ The principal place of operations of these entities is Hong Kong
- © Subsidiary newly set up during the year
- + Wholly foreign-owned enterprise



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## 45. Associates

Particulars of the Group's principal associates are as follows:

| Name  | Business structure                    | Place of incorporation/<br>registration and operations | Percentage of equity attributable to the Group |      | Principal activities      |
|---|---------------------------------------|--|--|------|---------------------------|
|   |                                       |  | 2002   | 2001 |                           |
| Capital Motors Inc.                                   | Corporate                             | Taiwan   | 34.9   | 34.9 | Trading of motor vehicles |
| Tung Shin Auto Leasing Company Limited*               | Corporate                             | Taiwan   | 21   | 21   | Leasing of automobiles    |
| Tung Yang Leasing Company Limited*                    | Corporate                             | Taiwan   | 21   | 21   | Leasing of automobiles    |
| Shanghai Ben Chi Automobile Limited #                 | Sino-foreign joint venture enterprise | PRC  | 55   | 55   | Trading of motor vehicles |
| Shanghai Dong Chi Automobile Service Company Limited# | Sino-foreign joint venture enterprise | PRC  | 55   | 55   | Trading of motor vehicles |
| Mercedes-Benz Korea Limited*                          | Corporate                             | Korea  | 47.5   | —    | Trading of motor vehicles |
| DaimlerChrysler Services Korea Limited*               | Corporate                             | Korea  | 19.4   | —    | Financial services        |
| DaimlerChrysler Services China Limited*               | Corporate                             | Hong Kong  | 20   | 20   | Financial services        |

\* Audited by public accountants other than Ernst & Young

# The interests in these companies have not been accounted for as subsidiaries because the directors consider that the Group does not exercise unilateral control over the joint ventures' boards of directors.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

## 46. Comparative amounts

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

## 47. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 16 April 2003.