

Notes to the Financial Statements (For the year ended 31st December, 2003)

1. GENERAL

The Company is a public limited company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate holding company is Ming Yuan Holdings Limited which is incorporated in the British Virgin Islands with limited liability.

The Company is an investment holding company. The activities of its subsidiaries at 31st December, 2003 are set out in note 41.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2002

Following their appointment on 30th August, 2002, the directors found that all of the Group’s accounting records and supporting vouchers for the period from 1st January, 2002 to 22nd August, 2002, the date prior to the change of substantial shareholders of the Company on 23rd August, 2002, were missing. Accordingly, the financial statements of the Company and of the Group, including the notes disclosures for the year ended 31st December, 2002 have been prepared (i) on the basis of the amounts set out in the published unaudited interim report for the six months ended 30th June, 2002 issued by the Company on 27th September, 2002, (ii) with reference to the net assets as shown in an unaudited statement of net assets of the Group as at 22nd August, 2002 prepared by the former management after the distribution of shares in Sing Tao Media Holdings Limited as dividend in specie and, (iii) on the basis of transactions entered into by the Group since 23rd August, 2002.

Against this background, the directors have been unable to satisfy themselves as to whether the amounts included in the consolidated income statement for the year ended 31st December, 2002 on the basis of the published unaudited interim report for the six months ended 30th June, 2002 are free from material misstatement. Also, the directors believe that the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement are not complete because these statements do not include transactions for the period from 1st July, 2002 to 22nd August, 2002 in respect of certain of the Group’s former subsidiaries. Accordingly, the directors do not consider that the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 31st December, 2002 are free from material misstatement.

The directors are satisfied however, that the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2002.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

SSAP 12 (Revised)
SSAP 35

Income Taxes
Accounting for Government Grant

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

Income Taxes

In the current year, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

Government grants

In the current year, the Group has adopted SSAP 35 "Accounting for Government Grants". In accordance with SSAP 35, government grants are now recognised as income over the periods necessary to match them with the related costs.

The adoption of these standards had no material effect on the results for the current year or prior year. Accordingly, no prior period adjustments is required.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

All significant intra-group transactions and balances have been eliminated on consolidation.

Notes to the Financial Statements (For the year ended 31st December, 2003)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

Negative goodwill

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

Negative goodwill is presented as a deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Investments in subsidiaries

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

Investments in associates

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

Revenue recognition

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

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the period of the respective leases.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investment properties

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

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

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

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

Notes to the Financial Statements (For the year ended 31st December, 2003)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of the property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold land and land use rights	Over the term of the lease, or the land use rights
Buildings	2% or the term of the lease or land use rights, if shorter
Plant and equipment	10%-30%
Office equipment	15%-50%
Motor vehicles	15%-33%
Leasehold improvements	10%-33% or the term of the lease
Furniture and fixtures	20%-33%

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

Research and development expenditure

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

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

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

Investments in securities

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

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase. Net realisable value is calculated at the actual or estimated selling price less related costs of marketing and selling.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Technical know-how

Technical know-how, which represents the purchase cost of the technical knowledge and skill in developing and manufacturing certain protein chips products, is stated at cost less accumulated amortisation and identified impairment loss.

Amortisation is calculated to write off the cost of the technical know-how over its estimated useful life, using the straight-line method, up to ten years.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

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

Operating leases

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

Retirement benefits costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using first-in, first-out method.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Notes to the Financial Statements (For the year ended 31st December, 2003)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the income statement and are deducted in reporting the related expense.

5. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is organised into the following three major operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal operating divisions are as follows:

Protein chips operation	–	Operation of manufacturing and trading of protein chips and related equipments
Computer products trading operation	–	Trading of computer products and related accessories
Property investment	–	Leasing of properties, properties holding and property trading

Notes to the Financial Statements (For the year ended 31st December, 2003)

5. SEGMENTAL INFORMATION *(Continued)*

An analysis of the Group's turnover and contribution to operating results and segmental assets and liabilities by business segments is as follows:

	Protein chips operation <i>HK\$'000</i>	Computer products trading operation <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the year ended						
31st December, 2003						
TURNOVER						
External sales	33,032	412,382	10,634	–	–	456,048
Inter-segment sales	–	–	–	–	–	–
Total revenue	33,032	412,382	10,634	–	–	456,048
RESULTS						
Segment results	28,209	13,330	3,339	(6,618)	–	38,260
Interest income						2,846
Profit from operations						41,106
Finance costs						(1,812)
Profit before taxation						39,294
Taxation						(3,546)
Profit before minority interests						35,748
Minority interests						(2,055)
Net profit for the year						33,693

Notes to the Financial Statements (For the year ended 31st December, 2003)

5. SEGMENTAL INFORMATION *(Continued)*

	Protein chips operation <i>HK\$'000</i>	Computer products trading operation <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets and liabilities						
at 31st December, 2003						
ASSETS						
Segment assets	118,793	54,031	138,622	34,691	–	346,137
Goodwill	52,605	–	–	–	–	52,605
Negative goodwill	–	(476)	(1,488)	–	–	(1,964)
Unallocated assets						22,726
Consolidated total assets						419,504
LIABILITIES						
Segment liabilities	28,117	19,847	1,835	850	–	50,649
Unallocated liabilities						67,826
Consolidated total liabilities						118,475
Other information for the year						
ended 31st December, 2003						
Capital expenditure	102,442	709	70,909	463	–	174,523
Depreciation on property, plant and equipment	2,598	274	–	733	–	3,605
Amortisation of technical know-how	311	–	–	–	–	311
Amortisation of goodwill	2,287	–	–	–	–	2,287
Release of negative goodwill	–	21	65	–	–	86

Notes to the Financial Statements (For the year ended 31st December, 2003)

5. SEGMENTAL INFORMATION *(Continued)*

	Discontinuing operations <i>(Note a)</i>		Continuing operations			Consolidated <i>HK\$'000</i>
	Newspaper publishing <i>HK\$'000</i>	Commercial printing <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	
	<i>(Note b)</i>					
For the year ended						
31st December, 2002						
REVENUE						
External sales	407,965	101,177	29,683	124	–	538,949
Inter-segment sales	5,048	2,422	3,158	–	(10,628)	–
Total revenue	413,013	103,599	32,841	124	(10,628)	538,949
RESULTS						
Segment results	1,627	5,356	(17,245)	(155)	–	(10,417)
Interest and dividend income						2,254
Restructuring and relaunch costs						(3,935)
Profit on disposal of subsidiaries						146,889
Profit from operations						134,791
Finance costs						(952)
Allowance for amount due from jointly controlled entities						(5,378)
Share of profit (loss) of:						
jointly controlled entities	3,779	–	–	–		3,779
associates	–	–	(632)	–		(632)
Profit before taxation						131,608
Taxation						(12,719)
Profit before minority interests						118,889
Minority interests						–
Net profit for the year						118,889

Notes to the Financial Statements (For the year ended 31st December, 2003)

5. SEGMENTAL INFORMATION *(Continued)*

	Discontinuing operations <i>(Note a)</i>		Continuing operations			Consolidated HK\$'000
	Newspaper publishing HK\$'000	Commercial printing HK\$'000	Corporate and others HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	
	<i>(Note b)</i>					
Assets and liabilities						
at 31st December, 2002						
ASSETS						
Segment assets	–	–	5,408	43,782	–	49,190
Interests in an associate	–	–	2,000	–	–	2,000
Unallocated assets						52,543
Consolidated total assets						103,733
LIABILITIES						
Segment liabilities	–	–	308	69	–	377
Unallocated liabilities	–	–	–	–	–	1,037
Consolidated total liabilities						1,414
Other information for the year						
ended 31st December, 2002						
Capital expenditure	–	–	–	–	–	1,633
Depreciation on property, plant and equipment <i>(Note a)</i>	–	–	–	–	–	18,438

Inter-segment revenue are charged at market rates.

Notes:

- (a) As explained in note 2, the directors do not have accounting records and supporting vouchers prior to 23rd August, 2002 and accordingly, an analysis of depreciation on property, plant and equipment by business segments, and the turnover, segment results, the carrying amount of assets and liabilities and cash flows information of the discontinuing operations at the date of discontinuance are not presented.
- (b) The directors consider that the business segment of securities investment is no longer considered to be of continuing significance. The related segment information has been grouped under corporate and others segment in the current year.

Notes to the Financial Statements (For the year ended 31st December, 2003)

5. SEGMENTAL INFORMATION *(Continued)*

Geographical Segments

The following table provides an analysis of the Group's turnover by geographic markets, irrespective of the origin of the goods and services:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong	314,963	300,359
Canada	4,164	23
PRC	136,921	–
North America	–	181,359
Australia and New Zealand	–	17,699
Europe	–	39,509
	456,048	538,949

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

	Carrying amount of segment assets		Capital and intangible assets additions	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong	113,300	89,169	463	1,633
Canada	7,208	12,469	–	–
The People's Republic of China	298,996	2,095	174,060	–
	419,504	103,733	174,523	1,633

Notes to the Financial Statements (For the year ended 31st December, 2003)

6. OTHER OPERATING INCOME

	2003 HK\$'000	2002 HK\$'000
Interest income	2,846	2,209
Dividend income	–	45
Unrealised holding gain on investment in securities	1,296	606
Gain on disposal of investment in securities	11	–
Gain on disposal of investment properties	356	–
Gain on disposal of technical know-how	8,080	–
Government grant	2,210	–
Others	16	–
	14,815	2,860

7. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation	3,605	18,438
Staff costs		
– Directors' remuneration (<i>note 9(a)</i>)	–	118
– other staff costs	5,929	216,110
– retirement benefits scheme contributions, excluding directors	68	23
Total staff costs	5,997	216,251
Auditors' remuneration	800	400
Amortisation of goodwill included in other operating expenses	2,287	875
Allowance for bad and doubtful debts	1,960	–
Amortisation of technical know-how included in other operating expenses	311	–
Research and development expenses	902	–
and after crediting:		
Gain on disposal of property, plant and equipment	–	2,322
Net rental income in respect of premises after outgoings of approximately HK\$1,589,000 (2002: HK\$43,000)	6,450	81
Release of negative goodwill included in administrative expenses	86	–

Notes to the Financial Statements (For the year ended 31st December, 2003)

8. FINANCE COSTS

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	1,812	946
Interest on margin loan payable	–	6
	1,812	952

9. DIRECTORS AND EMPLOYEES' REMUNERATION

(a) Directors' Remuneration

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' fees:		
Executive	–	40
Non-executive	–	–
Independent non-executive	–	–
	–	40
Other emoluments of executive directors:		
Salaries and other benefits	–	78
Retirement benefits scheme contributions	–	–
Compensation for loss of office	–	–
	–	78
	–	118

No emoluments were payable to directors during the year.

The number of directors whose remuneration falls within the bands set out below is as follows:

	2003	2002
<i>HK\$</i>	<i>Number of directors</i>	<i>Number of directors</i>
Nil to 1,000,000	7	6

None of the directors has waived any emoluments during the year.

Notes to the Financial Statements (For the year ended 31st December, 2003)

9. DIRECTORS AND EMPLOYEES' REMUNERATION *(Continued)*

(b) Employees' Remuneration

The five highest paid individuals in the Group did not include any directors of the Company (2002: Nil), details of whose remuneration are set out above. The aggregate remuneration of the five highest paid individuals, who are employees of the Group (2002: five), is as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries, allowances and benefits in kind	1,801	676
Performance related bonus	–	–
Retirement benefits contributions	53	21
	<u>1,854</u>	<u>697</u>

The number of employees whose remuneration falls within the bands set out below is as follows:

HK\$	2003 Number of employees	2002 Number of employees
Nil to 1,000,000	<u>5</u>	<u>5</u>

10. TAXATION

	2003 HK\$'000	2002 HK\$'000
The (charge) credit comprises:		
Hong Kong Profits Tax	(1,349)	(519)
Taxation charge in other jurisdictions	(2,197)	(9,144)
	<u>(3,546)</u>	<u>(9,663)</u>
Deferred taxation credit	–	10
Taxation attributable to the Company and its subsidiaries	(3,546)	(9,653)
Share of taxation attributable to jointly controlled entities	–	(3,066)
	<u>(3,546)</u>	<u>(12,719)</u>

10. TAXATION (Continued)

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. Hong Kong Profits Tax rate was changed from 16% to 17.5% with effect from 2003/2004 year of assessment.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

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

	<i>HK\$</i>	<i>%</i>
Profit before taxation	39,294	
Tax at the domestic income tax rate (<i>Note a</i>)	12,967	33.0
Tax effect of income not taxable in determining taxable profit	(782)	(2.0)
Tax effect of expenses not deductible for tax purpose	63	0.1
Tax effect of tax losses not recognised	1,603	4.1
Effect of different tax rates of subsidiaries operating in other jurisdictions	(3,788)	(9.6)
Effect of tax exemptions granted to PRC subsidiaries	(6,517)	(16.6)
Tax expense and effective tax rate for the year	3,546	9.0

Notes:

- (a) The domestic tax in the jurisdiction where the operation of the Group is substantially based is used.
- (b) As at 31st December, 2003, the Group had unused tax loss of approximately HK\$27,212,000 (2002: HK\$18,070,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits streams.
- (c) As explained in note 2, the directors do not have accounting records and supporting vouchers prior to 23rd August, 2002 and accordingly, an analysis of tax charge for the year ended 31st December, 2002 is not presented.

11. EARNINGS PER SHARE

The calculation of basic earning per share is based on the net profit for the year of HK\$33,693,000 (2002: HK\$118,889,000) and 2,382,931,846 (2002: weighted average number of 2,098,096,230 after the adjustment of share subdivision of the Company as described in note 31) ordinary shares in issue during the year.

No diluted earnings per share for the year ended 31st December, 2003 are calculated as there were no dilutive ordinary shares in issue during the year.

Notes to the Financial Statements (For the year ended 31st December, 2003)

11. EARNINGS PER SHARE *(Continued)*

No diluted earnings per share for the year ended 31st December, 2002 are disclosed because, as explained in the note 2, in the absence of complete records in respect of outstanding share options before 23rd August, 2002, the directors have been unable to calculate the effect of dilutive potential ordinary shares.

12. INVESTMENT PROPERTIES

	THE GROUP
	<i>HK\$'000</i>
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VALUATION	
At 1st January, 2003	33,195
Transferred to properties held for sale	(11,035)
Acquisition of subsidiaries	72,220
Additions	242
Disposal	(9,900)
Surplus arising on revaluation	29,978
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At 31st December, 2003	114,700
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The Group's investment properties were revalued as at 31st December, 2003 by Chesterton Petty Limited, an independent firm of professional property valuers, on an open market value basis. The revaluation gave rise to a surplus of HK\$29,978,000 which has been credited to the investment property revaluation reserve.

The carrying value of the investment properties comprises:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
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Freehold land outside Hong Kong	–	11,035
Properties held under medium-term leases in Hong Kong	4,800	5,000
Properties held under long-term leases in Hong Kong	5,800	15,100
Properties held under medium-term land use rights in the PRC	51,100	2,060
Properties held under long-term land use rights in the PRC	53,000	–
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	114,700	33,195
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The investment properties with carrying value of HK\$107,800,000 (2002: Nil) were pledged to secure general banking facilities granted to the Group and a third party.

Notes to the Financial Statements (For the year ended 31st December, 2003)

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Plant and equipment <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP							
COST							
At 1st January, 2003	–	–	277	434	719	203	1,633
Acquisition of subsidiaries	6,539	21,558	1,282	1,001	–	230	30,610
Additions	6,225	4,322	168	1,329	877	143	13,064
Disposal	–	–	(8)	–	–	–	(8)
At 31st December, 2003	12,764	25,880	1,719	2,764	1,596	576	45,299
DEPRECIATION							
At 1st January, 2003	–	–	46	51	151	23	271
Provided for the year	111	2,203	320	381	491	99	3,605
Eliminated on disposal	–	–	(2)	–	–	–	(2)
At 31st December, 2003	111	2,203	364	432	642	122	3,874
NET BOOK VALUE							
At 31st December, 2003	12,653	23,677	1,355	2,332	954	454	41,425
At 31st December, 2002	–	–	231	383	568	180	1,362
THE COMPANY							
COST							
At 1st January, 2003	–	–	277	–	719	203	1,199
Additions	–	–	16	–	438	–	454
Disposals	–	–	(143)	–	(359)	(102)	(604)
At 31st December, 2003	–	–	150	–	798	101	1,049
DEPRECIATION							
At 1st January, 2003	–	–	46	–	151	23	220
Provided for the year	–	–	109	–	359	50	518
Eliminated on disposals	–	–	(59)	–	(189)	(28)	(276)
At 31st December, 2003	–	–	96	–	321	45	462
NET BOOK VALUE							
At 31st December, 2003	–	–	54	–	477	56	587
At 31st December, 2002	–	–	231	–	568	180	979

Notes to the Financial Statements (For the year ended 31st December, 2003)

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The land and buildings held by the Group as at 31st December, 2003 shown above were held under medium lease terms located in PRC.

At 31st December, 2003, the Group's property, plant and equipment with an aggregate net book value of approximately HK\$12,653,000 (2002: Nil) were pledged to secure general banking facilities granted to the Group.

14. GOODWILL

	THE GROUP <i>HK\$'000</i>
<hr/>	
COST	
Arising on acquisition of subsidiaries and at 31st December, 2003	54,892
AMORTISATION	
Provided for the year and at 31st December, 2003	2,287
<hr/>	
NET BOOK VALUE	
At 31st December, 2003	52,605
<hr/> <hr/>	

The goodwill arose on acquisition of HD Global Limited and its subsidiaries during the year. The goodwill is amortised over a period of 10 years.

15. NEGATIVE GOODWILL

	THE GROUP <i>HK\$'000</i>
<hr/>	
GROSS AMOUNT	
Arising on acquisition of subsidiaries and at 31st December, 2003	2,050
RELEASED TO INCOME	
Released during the year and at 31st December, 2003	86
<hr/>	
CARRYING AMOUNT	
At 31st December, 2003	1,964
<hr/> <hr/>	

The negative goodwill arose on the acquisition of 上海龍祥電腦有限公司 and Giant Power International Limited. The negative goodwill is released to the consolidated income statement over a period of 10 years.

Notes to the Financial Statements (For the year ended 31st December, 2003)

16. TECHNICAL KNOW-HOW

	THE GROUP <i>HK\$'000</i>	
<hr/>		
COST		
Arising on acquisition of subsidiaries	5,545	
Disposal	(5,545)	
<hr/>		
At 31st December, 2003	–	
<hr/>		
AMORTISATION		
Provided for the year	311	
Eliminated on disposal	(311)	
<hr/>		
At 31st December, 2003	–	
<hr/>		
NET BOOK VALUE		
At 31st December, 2003	–	
<hr/> <hr/>		

The cost is amortised over the estimated useful life of 10 years.

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>		
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	235,726	62,716
<hr/>		
	235,726	62,716
Less: Allowance	(13,488)	(13,488)
<hr/>		
	222,238	49,228
Less: Amounts shown under current assets	(15,991)	–
<hr/>		
Amounts shown under non-current (<i>Note</i>)	206,247	49,228
<hr/> <hr/>		
Amounts due to subsidiaries – current	4,686	–
<hr/> <hr/>		

Notes to the Financial Statements (For the year ended 31st December, 2003)

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Note:

At the balance sheet date, the amounts due from/to subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms.

In the opinion of directors, the amounts are unlikely to be repaid within one year and are therefore shown as non-current.

Details of the Company's principal subsidiaries at 31st December, 2003 are set out in note 41.

18. INTERESTS IN AN ASSOCIATE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	–	940
Goodwill	–	1,060
	–	2,000

During the year, the Group disposed of its associate for a consideration of HK\$2,000,000.

The amount of goodwill as at 31st December, 2002 represented the goodwill arising on acquisition of the associate in December, 2002.

Details of the Group's associate as at 31st December, 2002 were as follows:

Name of associate	Place of incorporation and operations	Percentage of equity attributable to the Group	Principal activity
BMA Records Limited	Hong Kong	20%	Music production and provision of artists agency and talent management services

Notes to the Financial Statements (For the year ended 31st December, 2003)

19. INVENTORIES

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
At cost		
Raw materials	2,953	–
Work in progress	2,226	–
Finished goods	8,960	–
	14,139	–

20. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables <i>(note a)</i>	22,522	–
Prepayments for purchases	23,629	–
Purchase price adjustment receivable <i>(note 33)</i>	10,268	–
Deposits and other receivables <i>(note b)</i>	34,368	11,172
	90,787	11,172

Notes:

- (a) During the year, the Group normally allows a credit period of 30 to 60 days to its trade customers. An aging analysis of the trade receivables as at 31st December, 2003 is as follows:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	20,198	–
61-90 days	300	–
Over 90 days	3,984	–
	24,482	–
Less: Allowances for bad and doubtful debts	(1,960)	–
	22,522	–

- (b) Included in deposits and other receivables of approximately HK\$14,000,000 and approximately HK\$2,000,000 were consideration for disposal of technical know-how and consideration for disposal of an associate respectively.

Notes to the Financial Statements (For the year ended 31st December, 2003)

21. LOANS AND INTEREST RECEIVABLES

THE GROUP

The amounts are unsecured, interest bearing at 2 to 6% per annum and repayable within one year.

22. AMOUNT DUE FROM A DIRECTOR

THE GROUP AND THE COMPANY

The amount was due from Mr. Yao Yuan, which was unsecured, non-interest bearing and was fully settled during the year. The maximum amount outstanding during the year was HK\$30,000.

23. AMOUNT DUE FROM A MINORITY SHAREHOLDER

THE GROUP

The amount is unsecured, non-interest bearing and is repayable on demand. The maximum amount outstanding during the year was approximately HK\$982,000.

24. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Other investments		
Listed equity investments, at market value:		
Hong Kong	7,920	5,408

25. TRADE AND OTHER PAYABLES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Trade payables	29,352	–
Accruals and other payables	20,775	772
	50,127	772

Notes to the Financial Statements (For the year ended 31st December, 2003)

25. TRADE AND OTHER PAYABLES (Continued)

An aging analysis of trade payables as at 31st December, 2003 is as follows:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	11,288	–
61-90 days	4,074	–
Over 90 days	13,990	–
	29,352	–

26. MARGIN LOAN PAYABLE

THE GROUP

The amount was secured, bearing interest at 9% per annum and was fully settled during the year.

27. AMOUNTS DUE TO RELATED COMPANIES

Details of amounts due to related companies are as follows:

	Notes	THE GROUP		THE COMPANY	
		2003	2002	2003	2002
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
上海銘源實業		–	14	–	14
上海銘源數碼股份有限公司 （“上海銘源數碼”）	(i)	454	–	–	–
上海銘源物業管理有限公司 （“上海銘源物業”）	(i)	16	–	–	–
Henco Capital Limited	(ii)	–	320	–	320
		470	334	–	334

The amounts are unsecured, non-interest bearing and are repayable on demand.

Notes:

- (i) 上海銘源數碼 and 上海銘源物業 are companies in which Mr. Yao Yuan has a beneficial interest.
- (ii) Mr. Chien Hoe Yong, Henry, a director of the Company, is also a director of Henco Capital Limited.

Notes to the Financial Statements (For the year ended 31st December, 2003)

28. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

THE GROUP AND THE COMPANY

The amount is unsecured, non-interest and is repayable on demand.

29. SECURED BANK BORROWINGS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Secured bank loans repayable:		
– within one year or on demand	61,943	–
– after one but within two years	1,195	–
– after two but within five years	1,238	–
	64,376	–
Less: Amount due within one year included under current liabilities	(61,943)	–
Amount due after one year	2,433	–

The loans bear interest at market rates and are repayable within a period of 5 years. The proceeds were used for general working capital purpose. The bank borrowings are secured by certain investment properties of the Group and the corporate guarantee given by a related company. Details of the corporate guarantee given by the related company are set out in note 40.

Notes to the Financial Statements (For the year ended 31st December, 2003)

30. SHARE CAPITAL

<i>Notes</i>	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.25 each		
At 1st January, 2002 and 31st December, 2002	600,000,000	150,000
Subdivision of shares <i>(a)</i>	2,400,000,000	–
Ordinary shares of HK\$0.05 each		
at 31st December, 2003	3,000,000,000	150,000
Issued and fully paid:		
Ordinary shares of HK\$0.25 each		
At 1st January, 2002 and 31st December, 2002	419,619,246	104,905
Issue of shares <i>(b)</i>	13,000,000	3,250
Subdivision of shares <i>(a)</i>		
	432,619,246	108,155
	1,730,476,984	–
Issue of shares <i>(c)</i>		
	2,163,096,230	108,155
	425,000,000	21,250
Ordinary shares of HK\$0.05 each		
at 31st December, 2003	2,588,096,230	129,405

Notes:

- (a) Pursuant to resolutions passed by the shareholders of the Company in a special general meeting held on 2nd April, 2003, the Company carried out the following share subdivision (“Share Subdivision”):
- Each of issued and unissued ordinary shares of HK\$0.25 each was subdivided into five ordinary shares of HK\$0.05 each;
 - Upon the completion of Share Subdivision, the number of shares of authorised share capital was increased from 600,000,000 to 3,000,000,000 by the creation of an additional 2,400,000,000 ordinary shares of HK\$0.05 each.
- (b) The Company issued and allotted 13,000,000 ordinary shares of HK\$0.25 each as part of the consideration to acquire the entire issued share capital of Fieldcrown Investments Limited. The market price of the allotted shares on completion of the acquisition was HK\$0.94 per share. The new shares rank *pari passu* with the existing shares in all respects.

Notes to the Financial Statements (For the year ended 31st December, 2003)

30. SHARE CAPITAL *(Continued)*

- (c) The Company issued and allotted 200,000,000 ordinary shares of HK\$0.05 as consideration to acquire the entire issued share capital of Giant Power International Limited. The market price of the allotted shares on the completion of the acquisition was HK\$0.175 per share.

The Company further issued and allotted 225,000,000 ordinary shares of HK\$0.05 each to acquire the entire issued share capital of HD Global Limited. The market price of the allotted shares on the completion of the acquisition was HK\$0.345 per share.

The new shares rank pari passu with the existing shares in all respects.

31. RESERVES

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY					
At 1st January, 2002	286,192	1,431	618,818	(278,022)	628,419
Reserve reorganisation <i>(note a)</i>	(286,192)	(1,431)	287,623	–	–
Offsetting the accumulated losses of the Company as at 31st December, 2001 <i>(note a)</i>	–	–	(278,022)	278,022	–
Dividend in specie <i>(note b)</i>	–	–	(628,419)	(152,733)	(781,152)
Amount due to former holding company waived	–	–	12,804	–	12,804
Net profit for the year	–	–	–	135,356	135,356
At 31st December, 2002	–	–	12,804	(17,377)	(4,573)
Issue of shares	100,345	–	–	–	100,345
Net loss for the year	–	–	–	(8,129)	(8,129)
At 31st December, 2003	100,345	–	12,804	(25,506)	87,643

31. RESERVES *(Continued)*

Notes:

- (a) Pursuant to resolutions passed by the shareholders of the Company in a special general meeting held on 16th July, 2002, the Company carried out the following reserve reorganisation:
- the whole amount of the Company's share premium and capital redemption reserve accounts as at 31st December, 2001 of the Company, amounting to approximately HK\$286,192,000 and HK\$1,431,000 respectively were transferred to the contributed surplus account of the Company ("Reserve Reorganisation").
 - upon the completion of the Reserve Reorganisation, the amount standing to the credit of contributed surplus account of the Company was increased from approximately HK\$618,818,000 as at 31st December, 2001 to approximately HK\$906,441,000.
 - the contributed surplus account of the Company after the Reserve Reorganisation was used to offset the accumulated losses account of the Company as at 31st December, 2001 in full and to effect the dividend in specie.

Further details of the above are set out in the circular dated 27th July, 2002.

- (b) On 21st August, 2002, pursuant to a special resolution passed at a general meeting held on 19th August, 2002, the Company effected the dividend in specie. Further details of the above are set out in the Company's circular dated 27th July, 2002.

In addition to accumulated profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

As at 31st December, 2003 and 31st December, 2002, the Company had no reserves available for distribution to its shareholders.

Notes to the Financial Statements (For the year ended 31st December, 2003)

32. SHARE OPTIONS

In accordance with the terms of the Company's Executive Share Option Scheme ("Scheme") adopted on 3rd September, 1999, and effective for a period of ten years after the date of adoption of the scheme, the Company can grant to directors and employees of the Company and its subsidiaries share options to subscribe for its ordinary shares for a consideration of HK\$1 for the primary purpose of providing incentives to directors and eligible employees. No options can be exercised within 3 months from the date of grant.

The maximum number of shares in the Company in respect of which options may be granted under the Scheme may not exceed 10% of the issued share capital of the Company from time to time. The subscription price of shares in respect of which options are granted under the Scheme will be a price determined by the board of the directors of the Company and notified to each grantee and will not be less than 80%, of the average of the closing prices of the shares in the Company on the Stock Exchange on the five trading days immediately preceding the date of offer of the grant of the options or the nominal value of a share, whichever is higher.

No option may be granted to any employees which if exercised in full would result in such employee becoming entitled to subscribe for such number of shares which, when aggregated with the total number of shares already issued and issuable to him or her under the Scheme, would exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The shares allotted upon the exercise of an option will be subject to all provisions of the Bye-laws of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid shares in issue on the date of exercise of the option and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the date of exercise of the option.

As explained in note 2, the directors do not have sufficient information relating to the movements of the share options prior to 23rd August, 2002.

Notes to the Financial Statements (For the year ended 31st December, 2003)

32. SHARE OPTIONS *(Continued)*

A summary of movements of share options under the Scheme prepared based on the information of interim report for the six month ended 30th June, 2002 and the circular issued by the Company dated 13th September, 2002 is as follows:

Ex-directors

Name of ex-directors	Exercisable period	Exercise price <i>(Note a)</i> HK\$	Number of shares subject to option	Number of shares under option				
				Outstanding at 1.1.2002	Granted during the year	Exercised during the year	Surrendered/ lapsed during the year <i>(Note b)</i>	Outstanding at 31.12.2002
Wong Wai Ming	30.8.2002 to 2.9.2009	0.344	up to 3,000,000	6,000,000	–	–	(6,000,000)	–
	30.8.2003 to 2.9.2009	0.344	up to 6,000,000					
Judy Inn	30.8.2002 to 2.9.2009	0.344	up to 1,250,000	2,500,000	–	–	(2,500,000)	–
	30.8.2003 to 2.9.2009	0.344	up to 2,500,000					
Lo Wing Hung	30.8.2002 to 2.9.2009	0.344	up to 1,500,000	3,000,000	–	–	(3,000,000)	–
	30.8.2003 to 2.9.2009	0.344	up to 3,000,000					
Miranda Chan Kwai Yin	1.12.2001 to 2.9.2009	0.344	up to 450,000	2,500,000	–	–	(2,500,000)	–
	19.4.2002 to 2.9.2009	0.344	up to 900,000					
	30.8.2002 to 2.9.2009	0.344	up to 1,250,000					
	1.3.2003 to 2.9.2009	0.344	up to 1,875,000					
Nigel Ian Oakins	30.8.2002 to 2.9.2009	0.344	up to 500,000	1,000,000	–	–	(1,000,000)	–
	30.8.2003 to 2.9.2009	0.344	up to 1,000,000					
Gerry Yim Lui Fai	30.8.2002 to 2.9.2009	0.344	up to 1,250,000	2,500,000	–	–	(2,500,000)	–
	30.8.2003 to 2.9.2009	0.344	up to 2,500,000					
				17,500,000	–	–	(17,500,000)	–
Employees	30.8.2002 to 2.9.2009	0.344		7,000,000	–	–	(7,000,000)	–
				7,000,000	–	–	(7,000,000)	–
Total				24,500,000	–	–	(24,500,000)	–

Notes to the Financial Statements (For the year ended 31st December, 2003)

32. SHARE OPTIONS *(Continued)*

Notes:

- a. Following the completion of Reserve Reorganisation as more fully described in the circular issued by the Company dated 27th July, 2002, the exercise price was adjusted from HK\$0.845 to HK\$0.344.
- b. Following the completion of acquisition of shares of the Company by Ming Yuan Investments Group Limited in August, 2002, all the above grantees accepted the general offer made by Ming Yuan Investments Group Limited to renounce their respective rights to subscribe for shares in the Company for a consideration of HK\$0.18 for each option share. Detail of these are set out in circular issued by the Company dated 13th September, 2002.

No options were granted during the year ended 31st December, 2003 and no options were outstanding as at 31st December, 2003.

33. ACQUISITION OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Net assets acquired:		
Investment properties	72,220	–
Property, plant and equipment	30,610	434
Technical know-how	5,545	–
Inventories	16,130	–
Trade and other receivables <i>(note)</i>	83,193	33
Bank balances and cash	5,806	–
Trade and other payables	(45,373)	–
Bank borrowings – due within one year	(58,878)	–
Taxation payable	(24)	–
Minority interests	(7,426)	–
	101,803	467
Goodwill arising on acquisition	54,892	–
Negative goodwill arising on acquisition	(2,050)	–
	154,645	467
Consideration	154,645	467
Satisfied by:		
Cash	20,800	467
Deposits paid for acquisition of subsidiaries	9,000	–
Issue of shares	124,845	–
	154,645	467

Notes to the Financial Statements (For the year ended 31st December, 2003)

33. ACQUISITION OF SUBSIDIARIES *(Continued)*

Note: Included in the balance is an amount of HK\$10,268,000 which represents a purchase price adjustment due from the vendor pursuant to the relevant sale and purchase agreement.

Analysis of the net cash outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Cash consideration paid	(20,800)	(467)
Bank balances and cash acquired	5,806	–
Net cash outflow of cash and cash equivalents in connection with the acquisition of subsidiaries	(14,994)	(467)

The subsidiaries acquired during the year contributed of approximately HK\$4,736,000 to the Group's net operating cash outflow, cash outflow of approximately HK\$4,752,000 in respect of investing activities and cash outflow of approximately HK\$7,135,000 in respect of financing activities.

34. COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Contracted for but not provided for in the financial statements in respect of acquisition of subsidiaries	–	69,000

Notes to the Financial Statements (For the year ended 31st December, 2003)

35. OPERATING LEASE COMMITMENTS

The Group as lessor

Property rental income earned during the year was approximately HK\$8,039,000 (2002: HK\$124,000). Certain properties had committed tenants for the next 2 years.

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within one year	9,734	54
In the second to fifth years inclusive	23,690	165
	33,424	219

The Group as lessee

During the year, the Group made minimum lease payments under operating leases of approximately HK\$2,103,000 (2002: HK\$3,910,890) in respect of land and buildings, other equipment and staff quarter.

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within one year	1,600	–
In the second to fifth years inclusive	544	–
	2,144	–

Leases entered into by the Group were negotiated for an average term of two years.

36. CONTINGENT LIABILITIES

The Group

During the year, investment properties with carrying value of HK\$102,000,000 were pledged to banks to secure the banking facilities granted to a third party. As at 31st December, 2003, the amount of facilities utilised by the third party amounted to approximately HK\$59,000,000.

As at 31st December, 2002, the Group did not have any significant contingent liabilities.

The Company

As at 31st December, 2003, the Company issued a corporate guarantee to a bank in respect of general banking facilities granted to a subsidiary. The extent of such facility utilised by the subsidiary at 31st December, 2003 amounted to approximately HK\$3,629,000. As at 31st December, 2002, the Company did not have any significant contingent liabilities.

37. MAJOR NON-CASH TRANSACTIONS

During the year, the Company acquired certain subsidiaries for consideration satisfied by the issue of ordinary shares in the Company. Further details of these acquisitions are set out in note 33.

38. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the MPF Scheme.

The employees of the Group's subsidiaries in PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

Notes to the Financial Statements (For the year ended 31st December, 2003)

39. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged to secure general banking and credit facilities granted to the Group:

	2003 HK\$'000	2002 HK\$'000
Investment properties	107,800	–
Land and buildings	12,653	–
Investments in securities	–	5,408
	120,453	5,408

40. RELATED PARTY/CONNECTED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related companies as follows:

Nature of transactions	<i>Notes</i>	2003 HK\$'000	2002 HK\$'000
News services fee income received from a jointly controlled entity	<i>(a)</i>	–	4,000
Printing services charges paid and payable to a jointly controlled entity	<i>(a)</i>	–	25,117
Consultancy fee payable to a related company	<i>(b)</i>	–	320

Notes:

- (a) The terms of the transactions were set out in the interim report for the six months ended 30th June, 2002 issued by the Company on 27th September, 2002 and were as follows:
- (i) The news services fee was charged on an annual fixed amount basis pursuant to the news services agreement.
- (ii) The printing services were charged on a cost plus mark-up basis pursuant to the printing agreement.
- (b) The amount of consultancy fee was payable to a company, in which Mr. Chien Hoe Yong, Henry, a director of the Company, is also a director, at a rate agreed by both parties concerned.

In additions, 上海銘源實業集團有限公司, a company in which Mr. Yao Yuan has a beneficial interest, has given a corporate guarantee to the extent of RMB12,000,000 (equivalent to approximately HK\$11,215,000) to secure banking facility granted to a non-wholly owned subsidiary of the Group.

Details of the Group's balances with related parties as at 31st December, 2003 are set out in notes 22, 23, 27 and 28.

Notes to the Financial Statements (For the year ended 31st December, 2003)

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31st December, 2003 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Fun Area Limited	British Virgin Islands	US\$1	–	100	Investment holding
Premier Asset Investment Limited	British Virgin Islands	US\$1	–	100	Investment holding
Sita Financial Consultant Limited	Macau	MOP\$10,000	–	100	Provision of financial consultant services
Sky Glory Investments Limited	Hong Kong	HK\$2	–	100	Property holding
Ming Yuan Property Management Limited	Hong Kong	HK\$2	–	100	Property holding
Trans Ocean Developments Limited	Hong Kong	HK\$2	–	100	Property holding
Evergreen Gardens Project Inc.	Canada	CS\$100	–	100	Property holding
Rosario Gardens Inc.	Canada	CS\$100	–	100	Property holding
Giant Power International Limited	British Virgin Islands	US\$1	–	100	Investment holding
上海漢中皇國際物業管理 有限公司 (Note a)	PRC	US\$700,000	–	100	Property holding
Fieldcrown Investments Limited	British Virgin Islands	US\$1	–	100	Investment holding
MY Technology Limited	British Virgin Islands	US\$1	–	100	Trading of computer products and related accessories
上海龍祥電腦有限公司 (Note b)	PRC	RMB10,000,000	–	51%	Trading of computer products and related accessories
HD Global Limited	British Virgin Islands	US\$2,000,000	–	100%	Investment holding

Notes to the Financial Statements (For the year ended 31st December, 2003)

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai HealthDigit Company Limited <i>(Note a)</i>	PRC	RMB40,000,000	–	100%	Research and development activities
Huzhou HealthDigit Company Limited <i>(Note b)</i>	PRC	RMB10,000,000	–	95%	Manufacturing and trading of protein chips and related equipments

Notes:

- (a) These companies are registered in the form of wholly-owned foreign investment enterprise.
- (b) These companies are registered in the form of an equity joint venture.

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

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