NOTES TO FINANCIAL STATEMENTS

31 December 2002

1. CORPORATE INFORMATION

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

- property investment
- property development
- sale of online English learning courses

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("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 adopting those 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 summary statement of changes in equity is now presented in place of the consolidated statement of recognised gains and losses that was previously required.

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 overseas subsidiaries and jointly-controlled entities 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. Further details of this change are included in the accounting policy for "Foreign currencies" in note 3 to the financial statements.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

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 overseas subsidiaries arising during the year are now translated into Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates 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 are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 to the financial statements.

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 no change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 24 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 adoption of this SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties 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 the 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 whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

NOTES TO FINANCIAL STATEMENTS

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries (Continued)

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 the 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.

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Group 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 Group 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. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities 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 15 years. In the case of jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year 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. Goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries or jointly-controlled entities, 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

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.

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 fixed assets have 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.

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:

Land and buildings	Over the lease terms
Leasehold improvements	20%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

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.

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. Such properties 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 properties 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.

Properties under development

Properties under development are stated at cost which includes all development expenditure, interest charges and other costs directly attributable to such properties.

Properties under development which have been pre-sold are stated at cost plus attributable profits less any foreseeable losses, and deposits received and instalments received.

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 proportion of construction costs incurred up to the accounting date, to the estimated total construction costs to completion, limited to the amount of sales deposits and instalments received and with due allowance for contingencies.

Properties under development which have either been pre-sold or which are intended for sale and are expected to be completed within one year from the balance sheet date are classified as current assets.

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

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Completed properties for sale

Completed properties for sale are stated in the balance sheet at the lower of cost and net realisable value. Net realisable value is estimated by the directors based on the prevailing market conditions. Cost is determined by an apportionment of the total land and buildings cost attributable to unsold properties.

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 overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and jointly-controlled entities 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 overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas 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 overseas subsidiaries and jointly-controlled entities and the cash flows of overseas 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. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously-reported cash flows of the prior year.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, 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. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Retirement benefits scheme

The Group 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. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. 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 no charge is recorded in the profit and loss account or balance sheet for their cost. 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. Options which are cancelled prior to their exercise date, or which have lapsed, are deleted from the register of outstanding options.

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:

(i) from the sale of completed properties for sale, when all of the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer;

(ii) from the pre-sale of properties under development, on the exchange of legally binding unconditional sale contracts, provided that the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined, and on the basis set out in "Properties under development" above;

(iii) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(iv) rental income, on a time proportion basis over the lease terms; and

(v) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

NOTES TO FINANCIAL STATEMENTS

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

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

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, and assets similar in nature to cash, which are no restricted as to use.

4. 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 the other business segments. Summary details of the business segments are as follows:

(a) the property development segment engages in the construction of Haizhu Peninsula Garden in Guangzhou, the Mainland of the People's Republic of China ("Mainland China");

(b) the property investment segment invests in shopping centres located in Guangzhou and Chongqing, Mainland China, for rental income potential;

4. SEGMENT INFORMATION (Continued)

(c) the corporate segment comprises corporate income and expense items; and

(d) the "others" segment engages in sale of online English learning courses.

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. No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

	Sale and pre-sale of properties		Property investment		Corporate		Others		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**165,799**	210,487	**5,912**	5,277	**–**	–	**800**	–	**172,511**	215,764
Other revenue and gains – note 6	**–**	–	**–**	–	**9,170**	15,752	**–**	–	**9,170**	15,752
Total	**165,799**	210,487	**5,912**	5,277	**9,170**	15,752	**800**	–	**181,681**	231,516
Segment results	**10,751**	63,096	**3,097**	1,719	**(10,704)**	1,967	**(7,474)**	–	**(4,330)**	66,782
Interest income									**99**	56
Profit/(loss) from operating activities									**(4,231)**	66,838
Finance costs									**(6,301)**	(3,251)
Share of losses of jointly-controlled entities and amortisation and impairment of goodwill on acquisition of jointly-controlled entities									**(176,510)**	(10,978)
Profit/(loss) before tax									**(187,042)**	52,609
Tax									**(12,048)**	(18,651)
Profit/(loss) before minority interests									**(199,090)**	33,958
Minority interests									**7,340**	(1,893)
Net profit/(loss) from ordinary activities attributable to shareholders									**(191,750)**	32,065

NOTES TO FINANCIAL STATEMENTS

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4. SEGMENT INFORMATION (Continued)

	Sale and pre-sale of properties		Property investment		Corporate		Others		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**–**	928,863	**272,374**	432,932	**353,320**	36,197	**645**	–	**626,339**	1,397,992
Interests in jointly-controlled entities	**–**	–	**–**	–	**138,903**	321,362	**–**	–	**138,903**	321,362
Total assets									**765,242**	1,719,354
Segment liabilities	**–**	302,854	**50,752**	63,433	**219,920**	208,331	**151**	2	**270,823**	574,620
Other segment information:										
Depreciation and amortisation	**525**	608	**282**	290	**21,756**	11,278	**3**	–	**22,566**	12,176
Impairment of goodwill on acquisition of jointly-controlled entities	**–**	–	**–**	–	**155,000**	–	**–**	–	**155,000**	–
Other non-cash expenses	**–**	49	**–**	4	**–**	43	**–**	–	**–**	96
Capital expenditure	**206**	431	**–**	16	**39**	209	**14**	–	**259**	656
Provision for other receivable	**–**	–	**–**	–	**–**	–	**3,994**	–	**3,994**	–
Provision for amounts due from jointly-controlled entities	**–**	–	**–**	–	**6,000**	–	**–**	–	**6,000**	–
Surplus/(deficit) on revaluation of investment properties recognised directly in equity	**9,364**	(300)	**(5,800)**	591	**–**	–	**–**	–	**3,564**	291
Revaluation reserve released on disposal of investment properties	**28,541**	12,114	**–**	–	–	–	**–**	–	**28,541**	12,114

5. TURNOVER

Turnover represents the aggregate of the gross amounts of proceeds from the sale and pre-sale of properties, adjusted to reflect the stage of construction, to the extent that they were not previously recognised, the net invoiced value of goods sold, after allowances for returns and trade discounts, and gross rental income, after elimination of all significant intra-group transactions less any applicable turnover taxes.

	Group	
	2002	2001
	HK$'000	*HK$'000*
Sale and pre-sale of properties	**165,799**	210,487
Rental income	**5,912**	5,277
Sale of online English learning courses	**800**	–
	172,511	215,764

NOTES TO FINANCIAL STATEMENTS

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6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2002	2001
	HK$'000	*HK$'000*
Cost of inventories sold	**102,180**	127,686
Depreciation	**1,216**	1,306
Impairment of goodwill arising during the year*	**7,000**	–
Minimum lease payments under operating leases		
on land and buildings	**3,662**	2,236
Staff costs (including directors' remuneration – note 8):		
Pension scheme contributions	**127**	127
Wages and salaries	**8,766**	10,769
	8,893	10,896
Auditors' remuneration	**1,108**	930
Loss on disposal of fixed assets*	**–**	96
Provision for amounts due from jointly-controlled entities*	**6,000**	–
Provision for other receivable *	**3,994**	–
Gross rental income from investment properties	**(5,912)**	(5,277)
Less: Outgoings	**–**	–
Net rental income	**(5,912)**	(5,277)
Exchange losses, net	**879**	276
Gain on partial disposal of interests in subsidiaries	**–**	(15,752)
Gain on disposal of interests in subsidiaries	**(9,170)**	–
Interest income	**(99)**	(56)

* *Included in "Other operating expenses" on the face of the consolidated profit and loss account.*

7. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest expense on bank loans and overdrafts		
wholly repayable within five years	**13,261**	12,765
Less: Interest capitalised on properties under development	**(6,960)**	(9,514)
	6,301	3,251

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Fees:		
Executive directors	**840**	1,080
Independent non-executive directors	**430**	490
	1,270	1,570
Other executive directors' emoluments:		
Salaries, allowances and benefits in kind	**2,102**	3,189
Pension scheme contributions	**42**	48
	3,414	4,807

NOTES TO FINANCIAL STATEMENTS

31 December 2002

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

The remuneration of the directors fell within the following bands:

	Number of directors	
	2002	2001
Nil – HK$1,000,000	**8**	5
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**–**	2
	9	7

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

Five highest paid employees

The five highest paid employees during the year included one (2001: three) director, details of whose remuneration are set out above. Details of the remuneration of the remaining four (2001: two) non-director, highest paid employees are as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,820**	2,082
Pension scheme contributions	**41**	24
	2,861	2,106

The remuneration of the remaining four (2001: two) non-director, highest paid employees fell within the following bands:

	Number of employees	
	2002	2001
Nil – HK$1,000,000	**3**	1
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**1**	–
	4	2

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

During the year, no share options were granted to the directors or the four non-director, highest paid employees in respect of their services to the Group. Further details of the share option schemes of the Company are set out in note 24 to the financial statements.

During the year, no emoluments were paid by the Group to the directors or the four non-director, highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

9. TAX

	Group	
	2002	2001
	HK$'000	*HK$'000*
Provision for the year:		
Hong Kong	**–**	–
Elsewhere	**12,048**	18,651
	12,048	18,651

No provision for Hong Kong profits tax has been made as the Group did not generate any taxable profits in Hong Kong during the year (2001: Nil).

Mainland China tax has been calculated on the taxable income of the subsidiaries operating in Mainland China at the applicable rates.

No provision for deferred tax has been made in respect of accelerated capital allowances as the directors consider that a liability is not expected to crystallise in the foreseeable future.

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.

10. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company is HK$214,900,000 (2001: HK$2,266,000).

NOTES TO FINANCIAL STATEMENTS

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11. DIVIDEND

	2002	2001
	HK$'000	*HK$'000*
Interim – Nil per share (2001: HK0.2 cent, adjusted for the subdivision of shares (the "Subdivision"))	–	5,960

The directors do not recommend the payment of any final dividend (2001: Nil) in respect of the year.

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK$191,750,000 (2001: net profit of HK$32,065,000) and the weighted average of 2,980,016,725 (2001: 2,980,016,725) ordinary shares in issue during the year. The weighted average number of ordinary shares in issue during the year ended 31 December 2001 used in the basic earnings per share calculation had been adjusted to reflect the Subdivision as detailed in note 23 to the financial statements.

Diluted loss per share for the year ended 31 December 2002 has not been disclosed as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share for the year ended 31 December 2001 was based on the net profit from ordinary activities attributable to shareholders for that year of HK$32,065,000. The weighted average number of ordinary shares used in the calculation was the 2,980,016,725 ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average of 38,112,465 ordinary shares assumed to have been issued at no consideration on deemed exercise of all share options during that year.

13. FIXED ASSETS

Group

	Land and buildings	Leasehold improvements	Office equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost:						
At 1 January 2002	7,644	5,989	2,959	1,022	2,923	20,537
Additions	–	90	150	19	–	259
Disposal of subsidiaries	–	(5,506)	(2,461)	(280)	(2,286)	(10,533)
Exchange realignment	1	–	–	–	–	1
At 31 December 2002	7,645	573	648	761	637	10,264
Accumulated depreciation:						
At 1 January 2002	298	4,653	1,911	774	2,462	10,098
Provided during the year	213	348	330	135	190	1,216
Disposal of subsidiaries	–	(4,635)	(1,831)	(257)	(2,065)	(8,788)
At 31 December 2002	511	366	410	652	587	2,526
Net book value:						
At 31 December 2002	7,134	207	238	109	50	7,738
At 31 December 2001	7,346	1,336	1,048	248	461	10,439

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13. FIXED ASSETS (Continued)

Company

	Leasehold improvements *HK$'000*	Office equipment *HK$'000*	Furniture and fixtures *HK$'000*	Total *HK$'000*
At cost:				
At 1 January 2002	573	423	576	1,572
Additions	–	37	1	38
At 31 December 2002	573	460	577	1,610
Accumulated depreciation:				
At 1 January 2002	252	177	432	861
Provided during the year	114	86	100	300
At 31 December 2002	366	263	532	1,161
Net book value:				
At 31 December 2002	207	197	45	449
At 31 December 2001	321	246	144	711

The Group's land and buildings included above are held under medium term leases in Mainland China.

14. INVESTMENT PROPERTIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
At 1 January	**408,200**	445,600
Revaluation surplus – *note 25*	**3,564**	291
Disposals	**(40,164)**	(37,691)
Disposal of subsidiaries	**(188,000)**	–
At 31 December, at valuation	**183,600**	408,200

The investment properties are held under medium term land use rights in Mainland China.

The investment properties were revalued by Chesterton Petty Limited, an independent firm of professionally qualified valuers, on an open market value, existing use basis as at 31 December 2002.

At the balance sheet date, certain of the Group's investment properties were pledged to secure general banking facilities granted to the Group as set out in note 22 to the financial statements.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	*HK$'000*
Unlisted shares, at cost	**467,158**	467,158
Provision for impairment	**(47,800)**	(47,800)
	419,358	419,358
Due from subsidiaries	**298,126**	294,250
Provision against amounts due from subsidiaries	**(215,841)**	–
	82,285	294,250
	501,643	713,608

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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15. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of paid-up registered/ issued share capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Directly held					
China Land Realty Investment (BVI) Limited	British Virgin Islands/ Hong Kong	US$11,204 Ordinary	100	100	Investment holding
Indirectly held					
Ample Dragon Limited #	British Virgin Islands/ Hong Kong	US$300 Ordinary	–	51	Investment holding
Chongqing Smart Hero Real Estate Development Company Limited	Mainland China	US$2,000,000	100	100	Property development, holding and management
Dongxum Real Estate Development Company Limited #	Hong Kong	HK$2 Ordinary, HK$300 Non-voting deferred *(Note a)*	–	51	Investment holding
Ever Brian Inc.	British Virgin Islands/ Mainland China	US$1 Ordinary	100	100	Sale of online English learning courses
Guangzhou Dongxun Real Estate Development Company Limited #	Mainland China	HK$184,130,000		*(Note b)*	Property development, holding and management
I-Action Agents Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	100	100	Investment holding

15. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of paid-up registered/issued share capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Indirectly held					
Smart Hero (Holdings) Limited	Hong Kong	HK$2 Ordinary, HK$300 Non-voting deferred *(Note a)*	100	100	Investment holding

\# *The equity interests in these subsidiaries (the "Disposed Subsidiaries") were disposed of during the year.*

During the year, the Group disposed of its 51% equity interest in Ample Dragon Limited, which holds the equity interest in Dongxum Real Estate Development Company Limited and Guangzhou Dongxun Real Estate Development Company Limited ("Guangzhou Dongxun"), for a total consideration of HK$350,000,000 (note 26(a)). Details of the aforesaid transaction are set out in a circular to shareholders of the Company dated 13 December 2002.

Notes:

a. The non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the company, or to participate in any distribution on winding-up.

b. Guangzhou Dongxun is a co-operative joint venture established in Mainland China. In accordance with the terms of the joint venture agreement, the Group is responsible for contributing the entire registered capital of Guangzhou Dongxun, is entitled to the entire profits of Guangzhou Dongxun and is responsible for all of its losses.

The above table lists the subsidiaries of the Company as at 31 December 2002 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As detailed in note 3 to the financial statements, upon the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill in respect of acquisition which occurred prior to 1 January 2001 to remain eliminated against consolidated retained profits.

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15. INTERESTS IN SUBSIDIARIES (Continued)

The movements of the goodwill remaining in consolidated retained profits as at 31 December 2002, arising from the acquisition of a subsidiary prior to 1 January 2001, is as follows:

	HK$'000
Cost:	
At 1 January and 31 December 2002	35,000
Accumulated impairment:	
At 1 January 2002	–
Impairment provided during the year	7,000
At 31 December 2002	7,000
Net amount:	
At 31 December 2002	28,000
At 31 December 2001	35,000

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Share of net assets	**–**	160
Goodwill on acquisition	**133,030**	309,380
Due from jointly-controlled entities	**11,873**	11,822
Less: Provision against amounts due from jointly-controlled entities	**(6,000)**	–
	138,903	321,362

The amounts due from jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

The movements of the goodwill capitalised as an asset arising from the acquisition of jointly-controlled entities is as follows:

	HK$'000
Group	
Cost:	
At 1 January and 31 December 2002	320,250
Accumulated amortisation and impairment:	
At 1 January 2002	10,870
Provided during the year	21,350
Impairment provided during the year	155,000
At 31 December 2002	187,220
Net book value:	
At 31 December 2002	133,030
At 31 December 2001	309,380

世聯匯通信息科技有限公司("Shi Lian"), an indirectly held jointly-controlled entity of the Group, is engaged in the provision of technology consultancy services for a phone payment system operating in Mainland China.

At the balance sheet date, a valuation of Shi Lian (the "Valuation") was performed by an independent firm of professionally qualified valuers. The Valuation was prepared based on an income approach with a discount rate of 25%. Based on the Valuation, the Group has recognised an impairment loss for goodwill attributable to the Group's equity interest in Shi Lian of HK$155,000,000 in the profit and loss account for the year ended 31 December 2002.

NOTES TO FINANCIAL STATEMENTS

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16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
I-Mall Investments Limited	Corporate	British Virgin Islands	68.6	33.3	68.6	Investment holding
B2B Market Investments Limited	Corporate	British Virgin Islands	35.0	33.3	35.0	Investment holding
Cyber Union Enterprise Limited	Corporate	Hong Kong	35.0	50.0	35.0	Investment holding
Shi Lian	Corporate	Mainland China	35.0	33.3	35.0	Provision of technology consultancy services

All of the above investments in jointly-controlled entities are indirectly held by the Company.

The above jointly-controlled entities were held through I-Action Agents Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. At 31 December 2002, the aggregate amounts of the assets and liabilities of these jointly-controlled entities were as follows:

	Group 2002 HK$'000	Group 2001 HK$'000
Non-current assets	**14,921**	12,694
Current liabilities	**(12,466)**	(12,461)

17. TRADE RECEIVABLES

An aged analysis of the trade receivables at the balance sheet date is as follows:

	Group			
	2002		2001	
	HK$'000	**Percentage**	HK$'000	Percentage
Within 6 months	**4,132**	**21**	11,002	8
More than 6 months but within 1 year	**9**	**–**	–	–
More than 1 year but within 2 years	**–**	**–**	15,170	12
More than 2 years but within 3 years	**–**	**–**	22,707	17
Over 3 years	**–**	**–**	42,607	32
Not due as at 31 December	**15,889**	**79**	40,033	31
	20,030	**100**	131,519	100
Provision for doubtful debts	**–**		(14,736)	
	20,030		116,783	
Portion classified as current assets	**(8,113)**		(63,785)	
Non-current assets	**11,917**		52,998	

The Group generally grants a credit term of three months to its customers.

The Group's trade receivables are aged based on the due date of instalments as stipulated in the sale contracts.

The legal titles of the properties sold are retained by the Group until the contracted amounts and related expenses of the property have been fully settled.

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18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets:				
Prepayments	**–**	21,608	**–**	–
Deposits	**–**	87,425	**–**	–
Other receivable#	**280,000**	7,000	**–**	7,000
	280,000	116,033	**–**	7,000
Current assets:				
Prepayments	**152**	117,073	**148**	114
Deposits and other receivables#	**91,762**	39,470	**5,092**	869
	91,914	156,543	**5,240**	983

Other receivable of HK$330,000,000 as at 31 December 2002 represented the third, forth and fifth instalment receivables arising on the disposal of certain subsidiaries during the year (note 26(a)). The instalment receivables are not yet due as at the balance sheet date.

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

At 31 December 2002, bank deposits of approximately HK$2,200,000 (2001: HK$4,071,000) were pledged to a bank to secure mortgage loans granted by the bank to certain purchasers of the Group's properties.

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$40,626,000 (2001: HK$51,155,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

20. TRADE PAYABLES

An aged analysis of the trade payables at the balance sheet date is as follows:

	Group			
	2002		2001	
	HK$'000	**Percentage**	HK$'000	Percentage
Within 6 months	**664**	**2**	23,565	18
More than 6 months but within 1 year	**83**	**–**	34,219	26
More than 1 year but within 2 years	**8,670**	**23**	2,197	2
More than 2 years but within 3 years	**21**	**–**	21,762	16
Over 3 years	**28,226**	**75**	51,380	38
	37,664	**100**	133,123	100

The Group's trade payables are aged based on the date of the goods received or services rendered.

21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accruals	**14,705**	23,059	**10,471**	10,862
Other liabilities	**7,364**	65,815	**–**	–
Due to a Mainland China joint venture partner *(note)*	**–**	4,589	**–**	–
	22,069	93,463	**10,471**	10,862

Note: The amount due was unsecured, interest-free and had no fixed terms of repayment.

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22. INTEREST-BEARING BANK LOANS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Bank loans repayable:		
Within one year or on demand	**10,974**	147,410
In the second year	**9,512**	41,654
In the third to fifth years, inclusive	**15,372**	4,387
Beyond five years	**15,268**	–
	51,126	193,451
Current portion	**(10,974)**	(147,410)
Non-current portion	**40,152**	46,041

The Group had bank loan facilities amounting to HK$52,700,000 (2001: HK$198,915,000), of which approximately HK$51,126,000 (2001: HK$193,451,000) had been utilised at the balance sheet date. The bank loans were secured by certain of the Group's investment properties and a corporate guarantee executed by the Company.

23. SHARE CAPITAL

Shares

	2002	2001
	HK$'000	*HK$'000*
Authorised:		
6,000,000,000 ordinary shares of HK$0.02 each	**120,000**	120,000
Issued and fully paid:		
2,980,016,725 ordinary shares of HK$0.02 each	**59,600**	59,600

Pursuant to an ordinary resolution passed at a special general meeting on 8 August 2001, the authorised and issued share capital of the Company was split such that each ordinary share of HK$0.10 each was subdivided into five new shares of HK$0.02 each. This resulted in a change in the Company's authorised shares from 1,200,000,000 shares of HK$0.10 each to 6,000,000,000 shares of HK$0.02 each, while the Company's issued shares changed from 596,003,345 shares of HK$0.10 each to 2,980,016,725 shares of HK$0.02 each. All of the Company's shares, after adjustment for the Subdivision, rank pari passu with each other in all respects.

23. SHARE CAPITAL (Continued)

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 24 to the financial statements.

24. SHARE OPTION SCHEMES

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, the following 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's share option scheme which was adopted on 19 September 1997 (the "Old Scheme") was terminated and replaced by a new share option scheme at the special general meeting held on 11 June 2002 (the "New Scheme"). The options granted under the Old Scheme remain exercisable within the respective exercise period. During the year, no share options were granted or exercised under the Old Scheme nor the New Scheme.

A summary of the Old Scheme and the New Scheme is set out below:

(1) Old Scheme

The principal purpose of the Old Scheme is to recognise the significant contributions of the directors and employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give an incentive to these persons to continue to contribute to the Group's long term success and prosperity.

Eligible participants of the Old Scheme are the executive directors and full-time employees of the Group. The Old Scheme became effective on 19 September 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The share options granted under the Old Scheme are exercisable at any time for a period from the commencement date and expiring on the last day of the period to be determined by the board of directors, or the tenth anniversary of the adoption date on 19 September 1997, whichever is the earlier.

At 31 December 2002, the number of shares issuable under share options granted under the Old Scheme was 90,500,000, which represented approximately 3% 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 Old Scheme within any 12-month period, is limited to 2.5% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

NOTES TO FINANCIAL STATEMENTS

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24. SHARE OPTION SCHEMES (Continued)

(1) Old Scheme (Continued)

The offer of a grant of share options may be accepted in writing within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than three years from the date of the commencement of the exercise period of the share options or the expiry date of the Old Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than 80% of the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of offer or the nominal value of the Company's shares, whichever is higher.

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

Name or category of participant	Number of share options: At 1 January 2002	Number of share options: Lapsed during the year	Number of share options: At 31 December 2002	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$
Directors						
Ho Tsam Hung	27,500,000	–	27,500,000	1 June 2001	1 December 2001 to 1 December 2004	0.1395
Ho Pak Hung	27,500,000	–	27,500,000	1 June 2001	1 December 2001 to 1 December 2004	0.1395
Ho Kam Hung	27,500,000	–	27,500,000	1 June 2001	1 December 2001 to 1 December 2004	0.1395
Lam Ling Tak	27,500,000	(27,500,000)#	–	1 June 2001	1 December 2001 to 1 December 2004	0.1395
	110,000,000	(27,500,000)	82,500,000			
Other employees						
In aggregate	19,500,000	(11,500,000)##	8,000,000	1 June 2001	1 December 2001 to 1 December 2004	0.1395
	129,500,000	(39,000,000)	90,500,000			

24. SHARE OPTION SCHEMES (Continued)

(1) Old Scheme (Continued)

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The share options lapsed one month after Lam Ling Tak resigned as a director of the Company during the year.

The share options lapsed upon the termination of employees' employment during the year.

At the balance sheet date, the Company had 90,500,000 share options outstanding under the Old Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 90,500,000 additional ordinary shares of the Company and additional share capital of HK$1,810,000 and share premium of HK$10,814,750 (before issue expenses).

(2) New Scheme

The principal purpose of the New Scheme is to provide eligible participants with the opportunity to acquire proprietary interests in the Company and as an incentive to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Eligible participants of the New Scheme include all directors, employees, any entity in which the Group holds an equity interest (the "Invested Entity"), consultants, advisors, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, any shareholder of any member of the Group or any Invested Entity and holders of securities issued by the Group or any Invested Entity. The New Scheme became effective on 11 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive, a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

NOTES TO FINANCIAL STATEMENTS

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24. SHARE OPTION SCHEMES (Continued)

(2) New Scheme (Continued)

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors. No options will be exercisable ten years after the date of the offer of the share options or the expiry date of the New Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not less than the highest of (i) the nominal value of the ordinary shares of the Company on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; and (iii) the average closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

25. RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Investment properties revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2001	220,002	86,218	217,712	9,592	231,655	765,179
Exchange adjustment on translation of the financial statements of overseas subsidiaries	–	–	–	(218)	–	(218)
Revaluation reserve released on disposal of investment properties	–	–	(12,114)	–	–	(12,114)
Surplus on revaluation of investment properties – note 14	–	–	291	–	–	291
Net profit for the year	–	–	–	–	32,065	32,065
Interim 2001 dividend – note 11	–	(5,960)	–	–	–	(5,960)
At 31 December 2001 and 1 January 2002	220,002	80,258	205,889	9,374	263,720	779,243
Exchange adjustment on translation of the financial statements of overseas subsidiaries	–	–	–	35	–	35
Disposal of subsidiaries – note 26(a)	–	–	(125,451)	(9,281)	–	(134,732)
Revaluation reserve released on disposal of investment properties	–	–	(28,541)	–	–	(28,541)
Impairment of goodwill remaining eliminated against consolidated retained profits	–	–	–	–	7,000	7,000
Surplus on revaluation of investment properties – note 14	–	–	3,564	–	–	3,564
Net loss for the year	–	–	–	–	(191,750)	(191,750)
At 31 December 2002	220,002	80,258	55,461	128	78,970	434,819
Reserves retained by/ (losses accumulated in):						
Company and subsidiaries	220,002	80,258	55,461	128	79,238	435,087
Jointly-controlled entities	–	–	–	–	(268)	(268)
At 31 December 2002	220,002	80,258	55,461	128	78,970	434,819
Company and subsidiaries	220,002	80,258	205,889	9,374	263,828	779,351
Jointly-controlled entities	–	–	–	–	(108)	(108)
At 31 December 2001	220,002	80,258	205,889	9,374	263,720	779,243

NOTES TO FINANCIAL STATEMENTS

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25. RESERVES (Continued)

Notes:

(a) The amount of goodwill arising on the acquisition of a subsidiary in prior years of HK$28,000,000, after provision for impairment of HK$7,000,000 as at 31 December 2002, remained eliminated against consolidated retained profits as explained in note 15 to the financial statements.

(b) The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor.

Company

	Share premium account	**Contributed surplus**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2001	220,002	553,286	(115,343)	657,945
Net loss for the year	–	–	(2,266)	(2,266)
Interim 2001 dividend – note 11	–	(5,960)	–	(5,960)
At 31 December 2001 and 1 January 2002	220,002	547,326	(117,609)	649,719
Net loss for the year	–	–	(214,900)	(214,900)
At 31 December 2002	220,002	547,326	(332,509)	434,819

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	2002	2001
	HK$'000	*HK$'000*
Net assets disposed of:		
Fixed assets	1,745	–
Investment properties	188,000	–
Properties under development	395,033	–
Completed properties for sale	96,670	–
Cash and bank balances	8,821	–
Trade receivables	116,698	–
Prepayments, deposits and other receivables	314,724	–
Trade payables	(52,945)	–
Other payables and accruals	(100,863)	–
Interest-bearing bank loans	(187,282)	–
Tax payable	(157,782)	–
Minority interests	(298,551)	–
	324,268	–
Exchange fluctuation reserve released on disposal	(9,281)	–
Revaluation reserve released on disposal	(125,451)	–
Gain on disposal of subsidiaries	160,464	–
Consideration	350,000	–
Satisfied by:		
Cash and other receivables	120,000	–
Property units	230,000	–
Consideration	350,000	–

The consideration of HK$350,000,000 will be settled in five instalments. The first and second instalments of a total of HK$20,000,000 were settled in cash before 31 December 2002. The third and fourth instalments of HK$50,000,000 each will be settled by 31 July 2003 and 31 March 2004, respectively. The fifth instalment of HK$230,000,000 will be settled on or before a date falling on the first day immediately after expiration of the thirtieth month after 31 December 2002. The total gain on disposal of HK$160,464,000 will be recognised in line with the settlement schedule of the consideration.

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26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(a) Disposal of subsidiaries (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2002	2001
	HK$'000	*HK$'000*
Cash consideration	**20,000**	–
Cash and bank balances disposed of	**(8,821)**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**11,179**	–

The results of the subsidiaries disposed of during the year contributed HK$168 million and HK$1 million to the Group's consolidated turnover and loss after tax for that year.

(b) Major non-cash transactions

(1) During the year, the Group disposed of its entire 51% interest in Ample Dragon Limited to an independent third party for a consideration of HK$350,000,000. Instalment receivables arising thereon of HK$330,000,000 are included in "Other receivables" in the consolidated balance sheet (note 18), of which HK$230,000,000 will be satisfied by certain property units which are yet to be developed as at 31 December 2002.

(2) During the year, the Group disposed of certain of its investment properties for a consideration of HK$54,815,000. Part of the consideration of approximately HK$29,607,000 was settled by setting off against accounts payable in respect of certain expenditure incurred by the Group. A further part of the consideration of approximately HK$11,308,000 was settled in cash and the remaining balance of approximately HK$13,900,000 was included in the net assets of the Disposed Subsidiaries as set out in note 26(a) above.

27. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties	**22,006**	353,791	**–**	–
Guarantees given to a bank in respect of facilities granted to a subsidiary	**–**	–	**52,700**	11,700
	22,006	353,791	**52,700**	11,700

28. PLEDGE OF ASSETS

Details of the Group's bank loans secured by the assets of the Group are included in note 22 to the financial statements.

29. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Capital commitments in respect of property development projects: Contracted, but not provided for	**35,902**	67,894	**–**	–
Capital commitment in respect of capital contribution to a subsidiary: Contracted, but not provided for	**1,500**	–	**–**	–
	37,402	67,894	**–**	–

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29. COMMITMENTS (Continued)

(b) Commitments under operating leases

(i) As lessor

The Group leases certain of its investment properties under operating lease arrangements with leases negotiated for a terms of two years.

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within one year	**2,261**	5,852
In the second to fifth years, inclusive	**–**	6,847
After five years	**–**	2,867
	2,261	15,566

(ii) As lessee

The Group leases its office properties in Hong Kong under operating lease arrangements with leases negotiated for terms ranging from one to four years.

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

	Group		**Company**	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**973**	4,083	**963**	1,655
In the second to fifth years, inclusive	**–**	1,112	**–**	963
	973	5,195	**963**	2,618

30. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following connected and related party transactions during the year:

On 24 April 2002, Ho Tsam Hung, a director of the Company, entered into an agreement with the Company to indemnify the Company from any losses arising from certain other receivables and an investment deposit totalling approximately HK$116,956,000. The indemnity covered the period from 24 April 2002 to 31 December 2002. The indemnity on the investment deposit of approximately HK$87 million was released upon the disposal of certain subsidiaries on 31 December 2002.

On 31 December 2002, Ho Tsam Hung, a director of the Company, entered into an agreement with the Company to indemnify the Company from any losses arising from certain other receivables totalling approximately HK$17,164,000. The full amount of the said other receivables has been included in the consolidated balance sheet as at 31 December 2002. The indemnity covers the period from 1 January 2003 to 31 December 2003.

31. 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 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.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 April 2003.