

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are property trading, property investment, share investment, merchandise manufacturing, trading of garments and commodity concrete, operation of a golf resort complex, restaurant and amusement park.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK\$177 million as at 31st December, 2002. The Company's major shareholder has agreed to provide financial support to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

## 3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 4. In addition, the adoption of these SSAPs has resulted in a change in the format of presentation of the consolidated cash flow statement and the inclusion of a consolidated statement of changes in equity. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

### Foreign Currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

### Cash Flow Statement

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest received is now classified as an operating cash flow. Interest paid and dividends paid are now classified as operating cash flows and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. The presentation in the prior year's cash flow statement has been reclassified in order to achieve a consistent presentation.

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## 3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

### Discontinuing Operation

SSAP 33 "Discontinuing Operations" is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". Under SSAP 33, financial statement amounts relating to the discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group's restaurant and golf resort complex activities as a discontinuing operation in the current year, details of which are disclosed at note 10.

### Employee Benefits

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits. Because the Group's participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements of the Group for the current or prior accounting periods.

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

### Goodwill

Goodwill represents the excess of the cost of an acquisition and the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisition is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Negative Goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Negative goodwill arising on acquisition is presented as deduction from assets. To the extent that the 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 in income immediately.

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity.

### Investments in Subsidiaries

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

### Interests in Associates

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

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

### Interests in Jointly Controlled Entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities less any identified impairment loss. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue Recognition

Income from sales of completed properties is recognised upon completion of the sales agreement and when the risks and rewards of ownership are passed to the buyers. Income from pre-sale of properties under development is recognised over the course of development, by reference to the value of work completed.

Rental income under operating leases is credited to the income statement on a straight-line basis over the relevant lease term.

Sales of investments are recognised when title to the investments is transferred and the buyer takes legal possession of the investments.

Income from the golf resort complex represents the invoiced value of food and beverage sales, income from membership sales, subscriptions and related services. Sales of food and beverage are recognised when the respective services are rendered while membership sales and subscriptions are recognised when fees are payable by the members.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

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

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

Amusement park income is recognised on receipts from theme park operations, on the sales of tickets and the services being rendered to the customers.

### Property, Plant and Equipment

Property, plant and equipment other than construction in progress are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Golf resort complex (excluding freehold land)	2% – 20%
Land and buildings in the PRC	over the lease term
Amusement equipment	20%
Leasehold improvements	10%
Exhibits, display items, furniture, fittings and costumes	6% – 20%
Lifts, electrical and other equipment	10% – 20%
Trams, coaches and motor vehicles	20% – 30%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, Plant and Equipment (continued)

PRC denotes the People's Republic of China other than Hong Kong Special Administrative Region.

No depreciation is provided on construction in progress until the asset is completed and put into productive use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

### Properties

#### (i) Land and buildings in the PRC

Land and buildings in the PRC consist of land use rights and buildings in the PRC. The carrying value includes the cost of land use rights, construction costs, borrowing costs capitalised in accordance with the Group's accounting policy and other direct development expenditure.

#### (ii) Golf resort complex

The golf resort complex consists of freehold land and buildings erected thereon and is stated at cost to the Group. The carrying value of the golf resort complex includes land cost, construction costs, borrowing costs capitalised in accordance with the Group's accounting policy and other direct development expenditure.

#### (iii) Construction in progress

Construction in progress represents the direct cost of construction of factory buildings, plant and machinery and other assets and will be reclassified to the appropriate categories of assets on completion.

### Impairment

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Land Held for Development

Land held for development for purposes not yet determined is stated at cost less any identified impairment loss.

### Investment Properties

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

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance 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 is 20 years or less.

### Properties under Development for Sale

Properties under development for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of properties under development for sale includes land cost, construction cost, borrowing costs capitalised and other direct development expenditure.

When the property under development is sold in advance of completion, profit is recognised and calculated on a percentage of completion basis when the construction has progressed beyond the preliminary stage of development. The percentage used is based on the proportion of construction cost incurred up to the balance sheet date to estimated total construction costs.

### Leisure-entertainment Complex

The carrying amount of the leisure-entertainment complex includes land cost, construction costs, other direct development expenditure, overheads and other associated costs attributable to the development project less any identified impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in Securities

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

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

### Leased Assets

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

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the relevant lease term.

### 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 net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### Inventories

Inventories are stated at the lower of cost and net realisable value.

### Retirement Benefit Costs

Payments to the defined contribution retirement benefit scheme are charged as an expense as they fall due.

## 5. TURNOVER

Turnover represents the aggregate of gross proceeds from sales of properties, merchandise and investments in securities, dividend and interest income, gross rental income, gross income from the operation of the golf resort complex, restaurant and gross income from amusement park during the year as follows:

	2002 HK\$	2001 HK\$
Sales of goods	<b>58,609,346</b>	58,087,943
Share investment	<b>4,242,744</b>	24,889,382
Restaurant income	<b>4,520,950</b>	13,635,152
Gross rental income from investment properties	<b>10,232,263</b>	9,680,129
Golf-resort complex	<b>9,467,017</b>	9,199,022
Sales of properties	<b>1,682,618</b>	28,986,340
Dividend income	<b>752,202</b>	777,683
Interest income	<b>280,718</b>	1,676,887
Amusement park	<b>336,263</b>	264,135
	<b><u>90,124,121</u></b>	<u>147,196,673</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business Segments

For management purposes, the Group is currently organised into four operating divisions – securities investment, property development and investment, entertainment and leisure, and industrial. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Securities investment	–	investment in shares and other securities.
Property development and investment	–	properties development, investment in properties and property rental.
Entertainment and leisure	–	operation of golf resort complex, restaurant and amusement park.
Industrial	–	garments manufacturing and commodity concrete manufacturing.

Segment information about these businesses is presented below.

### 2002

	Securities investment	Property development and investment	Entertainment and leisure	Industrial	Consolidated
	2002	2002	2002	2002	2002
	HK\$	HK\$	HK\$	HK\$	HK\$

### TURNOVER

External sales, being total turnover	<u>5,080,198</u>	<u>11,914,881</u>	<u>14,410,665</u>	<u>58,718,377</u>	<u>90,124,121</u>
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### RESULT

Segment results	<u>(34,111,100)</u>	<u>5,691,579</u>	<u>(107,200,590)</u>	<u>1,257,483</u>	<u>(134,362,628)</u>
Other operating income	-	40,224	3,449,707	117,362	<u>3,607,293</u>
Loss from operations after impairment					
loss on interest in					
leisure-entertainment complex					(130,755,335)
Loss on disposal of a subsidiary	-	-	(46,817,276)	-	(46,817,276)
Finance costs					(14,722,776)
Share of results of associates	-	-	-	6,776,638	6,776,638
Share of results of a jointly controlled entity	-	-	824,047	-	<u>824,047</u>
Loss before taxation					<u>(184,694,702)</u>
Taxation					<u>5,386,729</u>
Loss after taxation					<u>(179,307,973)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

2002

	Securities investment	Property development and investment	Entertainment and leisure	Industrial	Consolidated
	2002	2002	2002	2002	2002
	HK\$	HK\$	HK\$	HK\$	HK\$

### BALANCE SHEET

#### ASSETS

Segment assets	42,163,229	213,131,076	75,117,312	56,366,002	386,777,619
Interests in associates	-	-	-	23,011,082	23,011,082
Interest in a jointly controlled entity	-	-	7,061,482	-	7,061,482
Consolidated total assets					<u>416,850,183</u>

#### LIABILITIES

Segment liabilities	18,263,310	5,384,570	42,094,422	19,423,335	85,165,637
Tax liabilities					5,154,701
Borrowings					<u>153,681,121</u>
					<u>244,001,459</u>

#### OTHER INFORMATION

Allowance for bad debts	-	-	5,819,416	537,245	6,356,661
Capital additions	-	-	704,890	1,086,869	1,791,759
Depreciation	3,276	15,978	3,337,846	4,012,244	7,369,344
Unrealised holding loss on other investments	1,453,041	-	-	-	1,453,041
Impairment loss on property, plant and equipment	-	-	24,751,626	-	24,751,626
Impairment loss on investment in securities	30,358,368	-	-	-	30,358,368
Impairment loss on the interest in leisure-entertainment complex	-	-	68,500,000	-	68,500,000

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For the year ended 31st December, 2002

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

2001

	Securities investment 2001 HK\$	Property development and investment 2001 HK\$	Entertainment and leisure 2001 HK\$	Industrial 2001 HK\$	Eliminations 2001 HK\$	Consolidated 2001 HK\$
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### TURNOVER

External sales	25,900,331	38,666,469	24,799,946	57,829,927	-	147,196,673
Inter-segment sales	<u>119,427</u>	<u>-</u>	<u>132,781</u>	<u>-</u>	<u>(252,208)</u>	<u>-</u>
Total turnover	<u>26,019,758</u>	<u>38,666,469</u>	<u>24,932,727</u>	<u>57,829,927</u>	<u>(252,208)</u>	<u>147,196,673</u>

Inter-segment sales are charged at prevailing market rates.

### RESULT

Segment results	<u>(34,755,534)</u>	<u>4,829,489</u>	<u>(33,572,462)</u>	<u>3,310,525</u>	<u>-</u>	(60,187,982)
Other operating income	3,087,954	3,104,293	6,011,366	381,997		<u>12,585,610</u>
Loss from operations						(47,602,372)
Profit on disposal of a subsidiary	-	-	3,312,816	-		3,312,816
Loss on disposal of an associate	-	-	(8)	-		(8)
Finance costs						(15,684,906)
Share of results of associates	-	-	-	1,694,551		1,694,551
Share of results of a jointly controlled entity	-	-	91,986	-		<u>91,986</u>
Loss before taxation						(58,187,933)
Taxation						<u>(1,031,044)</u>
Loss after taxation						<u>(59,218,977)</u>

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## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

2001

	Securities investment 2001 HK\$	Property development and investment 2001 HK\$	Entertainment and leisure 2001 HK\$	Industrial 2001 HK\$	Consolidated 2001 HK\$
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### BALANCE SHEET

#### ASSETS

Segment assets	63,108,799	227,774,852	355,107,586	57,176,368	703,167,605
Interests in associates	-	-	-	18,113,898	18,113,898
Interest in a jointly controlled entity	-	-	6,237,435	-	6,237,435
Consolidated total assets					<u>727,518,938</u>

#### LIABILITIES

Segment liabilities	20,330,956	4,535,012	73,530,007	14,160,555	112,556,530
Tax liabilities					20,520,355
Borrowings					<u>232,593,133</u>
					<u>365,670,018</u>

#### OTHER INFORMATION

Allowance for bad debts	-	15,878,598	-	-	15,878,598
Capital additions	3,200	46,299	601,284	875,933	1,526,716
Depreciation	4,198	7,311	10,860,511	4,762,526	15,634,546
Unrealised holding loss on other investments	1,881,072	-	-	-	1,881,072
Impairment loss on equipment	-	-	-	914,058	914,058
Impairment loss on investment in securities	33,100,000	-	-	-	33,100,000

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# NOTES TO THE FINANCIAL STATEMENTS

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## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Geographical Segments

The Group's operations are located in Hong Kong, PRC, Singapore and Malaysia.

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

	Sales revenue by geographical market	
	2002 HK\$	2001 HK\$
Hong Kong	<b>7,341,913</b>	45,599,013
Malaysia	<b>11,149,635</b>	39,290,878
Singapore	<b>12,559,223</b>	21,618,454
PRC	<b>18,454,334</b>	19,459,688
Japan	<b>40,619,016</b>	21,228,640
	<b><u>90,124,121</u></b>	<b><u>147,196,673</u></b>

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	31.12.2002 HK\$	31.12.2001 HK\$	31.12.2002 HK\$	31.12.2001 HK\$
Hong Kong	<b>180,431,034</b>	481,654,347	–	3,200
Malaysia	–	107,482,026	<b>698,797</b>	287,261
Singapore	<b>166,403,467</b>	82,329,230	–	46,299
PRC	<b>70,015,682</b>	56,053,335	<b>1,092,962</b>	1,189,956
	<b><u>416,850,183</u></b>	<b><u>727,518,938</u></b>	<b><u>1,791,759</u></b>	<b><u>1,526,716</u></b>

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## 7. OTHER OPERATING INCOME

Included in other operating income are as follows:

	2002 HK\$	2001 HK\$
Sales deposit forfeited	<b>822,679</b>	–
Gain on disposal of property, plant and equipment	–	68,514
Written off of creditors	–	2,803,859
Net exchange gain	–	5,593,198
Others	<b>2,784,614</b>	4,120,039
	<b><u>3,607,293</u></b>	<u>12,585,610</u>

## 8. OTHER OPERATING EXPENSES

	2002 HK\$	2001 HK\$
Allowance for bad debts	<b>6,356,661</b>	15,878,598
Unrealised holding loss on other investments	<b>1,453,041</b>	1,881,072
Loss on disposal of investment properties	<b>737,902</b>	–
Net exchange loss	<b>393,412</b>	–
Loss on disposal of property, plant and equipment	<b>24,178</b>	–
Compensation claim on project	–	2,422,530
Tax penalty	–	1,205,294
Others	<b>2,877,773</b>	3,502,425
	<b><u>11,842,967</u></b>	<u>24,889,919</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## 9. LOSS FROM OPERATIONS

	2002 HK\$	2001 HK\$
Loss from operations has been arrived at after charging (crediting):		
Depreciation		
Owned assets	7,216,592	14,947,585
Assets held under finance leases	152,752	686,961
	<b>7,369,344</b>	15,634,546
Auditors' remuneration	805,806	880,560
Staff costs (included directors' remuneration), included retirement benefits schemes contributions of HK\$1,322,875 (2001: HK\$1,403,755)	<b>15,343,130</b>	19,084,332
Operating lease rental in respect of premises	<b>2,321,305</b>	3,692,072
Rental income from investment properties, less outgoings of HK\$432,204 (2001: HK\$385,066)	<b>(9,800,059)</b>	<b>(9,295,063)</b>

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# NOTES TO THE FINANCIAL STATEMENTS

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## 10. DISCONTINUED OPERATIONS

- (i) In October 2002, the Group entered into a sale agreement to dispose of the subsidiaries, Successful Investments Limited and its subsidiaries, which carried out all of the Group's golf resort complex operations in Malaysia. The disposal was effected in order to generate the working capital for the Group. The disposal was completed on 31st December, 2002, on which date control of Successful Investments Limited passed to the acquirer.

The consolidated results of the golf resort complex for the year ended 31st December, 2002, which have been included in the consolidated financial statements, were as follows:

	<b>2002</b>	2001
	<b>HK\$</b>	HK\$
Turnover	<b>11,149,635</b>	38,659,451
Other operating income	<b>2,313,969</b>	1,646,521
Operating costs	<b>(15,240,048)</b>	(48,033,555)
Finance costs	<b>(8,556,978)</b>	(6,778,352)
Loss before taxation	<b>(10,333,422)</b>	(14,505,935)
Taxation	<b>131,950</b>	(14,420)
Loss before minority interests	<b>(10,201,472)</b>	(14,520,355)
Minority interests	<b>4,753,945</b>	4,678,629
Loss for the year	<b>(5,447,527)</b>	(9,841,726)

During the year, Successful Investments Limited contributed an outflow of HK\$3.6 million (2001: HK\$2.4 million) to the Group's net operating cash flows, paid HK\$0.7 million (2001: HK\$0.1 million) in respect of investing activities and received HK\$4 million (2001: HK\$2 million) in respect of financing activities.

The carrying amounts of the consolidated assets and liabilities of Successful Investments Limited at the date of disposal, and at the 31st December, 2001, are approximately HK\$181 million (2001: HK\$192 million) and HK\$154 million (2001: HK\$238 million) respectively.

A loss of approximately HK\$47 million arose on the disposal of Successful Investments Limited, being the proceeds of disposal less the carrying amount of the subsidiary's net assets and the realisation of the exchange reserve. No tax charge or credit arose from the transaction.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 10. DISCONTINUED OPERATIONS (continued)

- (ii) In July 2002, the Group ceased its restaurant operations in Singapore due to poor market condition and recurring losses in past years.

The results of the restaurant operation for the period ended 31st July, 2002, which have been included in the consolidated financial statements, were as follows:

	<b>1.1.2002 to 31.7.2002 HK\$</b>	1.1.2001 to 31.12.2001 HK\$
Turnover	<b>4,520,950</b>	13,635,152
Other operating income	<b>308,809</b>	1,619,657
Operating costs	<b>(26,350,861)</b>	(20,922,780)
Finance costs	<b>(102,067)</b>	(560,214)
Loss before taxation	<b>(21,623,169)</b>	(6,228,185)
Taxation	–	25,254
Loss for the period	<b><u>(21,623,169)</u></b>	<b><u>(6,202,931)</u></b>

During the period, RFC Far East Cafe Pte Ltd contributed an inflow of HK\$3.7 million (2001: an outflow of HK\$2.8 million) to the Group's net operating cash flows, paid HK\$2,000 (2001: HK\$4.8 million) in respect of investing activities and received HK\$4,000 (2001: HK\$8,000) in respect of financing activities.

## 11. FINANCE COSTS

	<b>2002 HK\$</b>	2001 HK\$
Interest on:		
Bank loans and overdrafts wholly repayable within five years	<b>14,086,689</b>	15,274,531
Finance leases	<b>79,374</b>	24,825
Other borrowings	<b>556,713</b>	385,550
Total borrowing costs	<b><u>14,722,776</u></b>	<b><u>15,684,906</u></b>

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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' Emoluments

	2002 HK\$	2001 HK\$
Directors' fees:		
Executive directors	60,000	60,000
Non-executive directors	60,000	60,000
Independent non-executive directors	70,000	70,000
	<u>190,000</u>	190,000
Other emoluments of executive and non-executive directors:		
Salaries and other benefits	972,503	918,701
Retirement benefits schemes contributions	19,625	26,271
	<u>992,128</u>	<u>944,972</u>
Total emoluments	<u><u>1,182,128</u></u>	<u><u>1,134,972</u></u>

The emoluments of each of the directors were less than HK\$1 million in both years.

### (b) Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, two (2001: one) were executive directors of the Company and one (2001: one) was non-executive director of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two (2001: three) individuals were as follows:

	2002 HK\$	2001 HK\$
Salaries and other benefits	391,080	782,874
Retirement benefits schemes contributions	18,000	–
	<u>409,080</u>	<u>782,874</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 13. TAXATION

	2002 HK\$	2001 HK\$
The charge (credit) comprises:		
The Company and subsidiaries		
Profits tax for the year		
Overseas	751,311	1,031,044
Overprovision in prior years		
Hong Kong	(6,000,000)	–
Deferred taxation		
Current year	(138,040)	–
	<u>(5,386,729)</u>	<u>1,031,044</u>

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and the subsidiaries incurred a tax loss in both years.

Details of the provided and unprovided deferred taxation are set out in note 36.

## 14. DIVIDENDS

No dividend was paid or proposed during the year nor has any dividend been proposed since the balance sheet date (2001: nil).

## 15. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year of HK\$179,241,540 (2001: HK\$56,675,320) and on 331,668,905 (2001: 331,668,905) ordinary shares in issue during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 16. INVESTMENT PROPERTIES

	THE GROUP
	HK\$
AT VALUATION	
At 1st January, 2002	219,168,857
Currency realignment	10,752,871
Disposals	(6,894,758)
Revaluation decrease	<u>(11,925,970)</u>
At 31st December, 2002	<u><u>211,101,000</u></u>

Investment properties were revalued at their open market value at 31st December, 2002 by DTZ Debenham Tie Leung for investment properties in Hong Kong and PREMAS International Limited for investment properties in Singapore, on an open market existing use basis. The net revaluation decrease net of minority interests amounted to HK\$10,740,681 (2001: net revaluation decrease of HK\$14,899,730) has been debited to the investment property revaluation reserve.

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

The carrying amount of investment properties comprises:

	2002 HK\$	2001 HK\$
In Hong Kong under medium-term leases	<b>46,600,000</b>	46,600,000
Outside Hong Kong under long leases	<b>164,501,000</b>	<u>172,568,857</u>
	<b><u>211,101,000</u></b>	<u>219,168,857</u>

Property rental income earned during the year was HK\$10,232,263 (2001: HK\$9,680,129). The properties held have committed tenants for the next two years.

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

	2002 HK\$	2001 HK\$
Within one year	<b>9,342,138</b>	7,543,448
In the second to fifth year inclusive	<b>4,874,526</b>	<u>5,472,955</u>
	<b><u>14,216,664</u></b>	<u>13,016,403</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings in the PRC held under medium term lease	Construction in progress	Amusement equipment	Overseas golf resort complex held under freehold land	Lifts, electrical and other equipment	Exhibits, display items, furniture, fittings and costumes	Leasehold improvements	Trams, coaches and motor vehicles	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>THE GROUP</b>									
<b>COST</b>									
At 1st January, 2002	20,104,562	387,908	25,589,951	134,866,425	39,190,829	3,555,797	28,651,350	10,118,552	262,465,374
Additions	172,904	-	-	41,615	973,995	150,555	-	452,690	1,791,759
Disposals	-	-	-	-	(66,904)	-	(20,840)	-	(87,744)
Disposal of a subsidiary	-	-	-	(133,272,269)	(9,050,415)	(3,468,240)	-	(1,991,000)	(147,781,924)
Reclassification	363,818	(384,658)	-	-	-	-	20,840	-	-
Currency realignment	(168,413)	(3,250)	(121,415)	(1,635,771)	(297,914)	(38,851)	1,656,133	(94,419)	(703,900)
At 31st December, 2002	20,472,871	-	25,468,536	-	30,749,591	199,261	30,307,483	8,485,823	115,683,565
<b>ACCUMULATED DEPRECIATION</b>									
At 1st January, 2002	4,676,733	-	20,730,906	4,205,251	22,631,445	2,800,116	8,997,111	8,195,783	72,237,345
Provided for the year	816,509	-	1,567,540	607,808	2,789,518	262,034	195,555	1,130,380	7,369,344
Impairment loss	-	-	2,888,453	-	1,323,372	3	20,196,797	343,001	24,751,626
Eliminated on disposals	-	-	-	-	(58,788)	-	-	-	(58,788)
Eliminated on disposal of a subsidiary	-	-	-	(4,751,818)	(7,990,004)	(2,860,891)	-	(1,513,746)	(17,116,459)
Currency realignment	(34,843)	-	(54,853)	(61,241)	(166,108)	(30,699)	918,020	(69,809)	500,467
At 31st December, 2002	5,458,399	-	25,132,046	-	18,529,435	170,563	30,307,483	8,085,609	87,683,535
<b>NET BOOK VALUES</b>									
At 31st December, 2002	15,014,472	-	336,490	-	12,220,156	28,698	-	400,214	28,000,030
At 31st December, 2001	15,427,829	387,908	4,859,045	130,661,174	16,559,384	755,681	19,654,239	1,922,769	190,228,029

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

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

The net book value of motor vehicles, lifts, electrical and other equipment includes an amount of HK\$nil (2001: HK\$3,378,033) in respect of assets held under finance leases.

Included in land and buildings in the PRC held under medium term lease was an amount of HK\$5,184,824 (2001: HK\$5,421,216) represented land use right in the PRC under medium term lease.

In July 2002, the Group ceased its restaurant operations in Singapore. Since no future cash flows are expected to be generated from the restaurant operations, the recoverable amount of the equipment and leasehold improvements attributable to those operations is estimated to be negligible. Accordingly, impairment losses of HK\$19,840,732 have been charged to the income statement.

During the year, continuing operating losses were recorded at the Group's leisure and entertainment business operations in the PRC and Malaysia. The estimated recoverable amounts of the equipment and leasehold improvements, represent the estimated value in use after discounting the estimated future cash flows, is less than its carrying amounts. Accordingly, impairment losses of HK\$4,910,894 have been charged to the income statement.

	<b>Furniture and fittings</b>	HK\$
<b>THE COMPANY</b>		
COST		
At 1st January, 2002	18,466	
Additions	—	
	<hr/>	
At 31st December, 2002	18,466	
	<hr/>	
ACCUMULATED DEPRECIATION		
At 1st January, 2002	15,190	
Provided for the year	3,276	
	<hr/>	
At 31st December, 2002	18,466	
	<hr/>	
NET BOOK VALUE		
At 31st December, 2002	—	
	<hr/> <hr/>	
At 31st December, 2001	3,276	
	<hr/> <hr/>	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 18. LAND HELD FOR DEVELOPMENT

	THE GROUP HK\$	THE COMPANY HK\$
COST		
At 1st January, 2001	33,802,234	1,994,382
Currency realignment	<u>20,230</u>	<u>–</u>
At 1st January, 2002	33,822,464	1,994,382
Currency realignment	(151,730)	–
Disposal of a subsidiary	<u>(30,936,352)</u>	<u>–</u>
At 31st December, 2002	<u><u>2,734,382</u></u>	<u><u>1,994,382</u></u>

An analysis of the Group's and Company's land held for development is as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Land in Hong Kong held under medium-term leases	<b>2,734,382</b>	2,734,382	<b>1,994,382</b>	1,994,382
Freehold land outside Hong Kong	–	31,088,082	–	–
	<u><b>2,734,382</b></u>	<u>33,822,464</u>	<u><b>1,994,382</b></u>	<u>1,994,382</u>

Included in land held for development in Hong Kong held under medium-term lease is a piece of land with a book value of HK\$1,994,382 (2001: HK\$1,994,382), the title to which has not been transferred to the Company and is still registered in the name of the vendor companies which are controlled by certain directors as trustee for the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 19. LEISURE-ENTERTAINMENT COMPLEX

	THE GROUP	
	2002 HK\$	2001 HK\$
At 1st January	<b>137,000,000</b>	–
Less: Impairment loss recognised	<b>(68,500,000)</b>	–
	<b>68,500,000</b>	–
Assignment during the year	–	137,000,000
At 31st December	<b>68,500,000</b>	137,000,000

In 1994, the Group entered into a building agreement with Singapore Leisure Industries Pte Ltd. (“SLI”) under which the Group would construct on land owned by SLI the building structure of a leisure-entertainment complex, known as the “Tang Dynasty City”, in exchange for a 30 years lease to operate the leisure-entertainment complex.

In 1996, the Group entered into a sale and purchase agreement with Admiralty Leisure Pte. Ltd. (“AL”) to sell in three phases its interests in the building agreement in respect of the leisure-entertainment complex. At this time, a new building agreement with precisely the same terms, was entered into between AL and SLI. Then in 1997, the Group entered into a deed of assignment with AL whereby AL agreed to assign to the Group, in certain circumstances, all the rights, benefits and advantages in connection with the interest in building agreement and leisure-entertainment complex.

In 2000, the Group completed the final sale to AL for a net receivable of HK\$137,000,000 resulting in the recognition of an impairment loss of HK\$153,576,789.

During 2001, AL was put into liquidation. Under the terms of the deed of assignment referred to above, the failure of AL to repay the receivable to the Group constituted a circumstance triggering the assignment of the interests in the building agreement and the leisure-entertainment complex to the Group. Such interest has, accordingly, been included in the Group’s balance sheet as at 31st December, 2001 at an amount equal to the net consideration of HK\$137,000,000.

Following the liquidation of AL, the leisure-entertainment complex was handed back to SLI under a court order. Against this background, the directors are currently negotiating with SLI the terms of a revised building agreement, and in particular, regarding the usage of the leisure-entertainment complex and the lease term.

During the year, the Directors have assessed the recoverable amount of the Group’s interest in the leisure-entertainment complex. As at 31st December, 2002, the directors are of the opinion that the Group’s interest in the leisure-entertainment complex is worth at least its remaining carrying amount of HK\$68,500,000. Accordingly, an impairment loss of HK\$68,500,000 had been charged to the income statement.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 20. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$	2001 HK\$
Unlisted shares, at cost	<b>152,190,009</b>	152,190,782
Amounts due from subsidiaries	<b>466,278,597</b>	544,632,516
	<b>618,468,606</b>	696,823,298
Less: Impairment loss and allowance against amounts due	<b>(492,769,846)</b>	(477,689,080)
	<b>125,698,760</b>	219,134,218

The amounts due from subsidiaries are unsecured and interest-free. In the opinion of directors, no repayment will be demanded within the next twelve months. Accordingly, the amount is classified as non-current asset.

Particulars of the principal subsidiaries of the Company at 31st December, 2002 are as follows:

Name of subsidiary	Place/country of incorporation or registration/ operations	Paid up issued/ registered share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
<b>Direct subsidiary</b>				
Brentford Investments Inc.	Republic of Liberia/ Hong Kong	2 ordinary shares of US\$100 each	100%	Share investment
Cathay Motion Picture Studios Limited*	Hong Kong/ Hong Kong	30,000 ordinary shares of HK\$100 each	100%	Property investment
China Entertainment (Jiangsu) Development Ltd.	Hong Kong/ Hong Kong	2 ordinary shares of HK\$1 each	100%	Investment holding
Far East Art and Cultural Corporation Limited	Hong Kong/ Hong Kong	2 ordinary shares of HK\$1 each	100%	Property investment
Far East Holdings China Limited	Hong Kong/ Hong Kong	2 ordinary shares of HK\$1 each	100%	Investment holding

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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 20. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place/country of incorporation or registration/ operations	Paid up issued/ registered share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
<b>Direct subsidiary (continued)</b>				
Goldtrack Limited	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	90%	Investment holding
Goodway Holdings Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1 each	100%	Investment holding
Kwong Ming Amusement Company, Limited	Hong Kong/ Hong Kong	10 ordinary shares of HK\$100 each and 4,480 non-voting deferred shares of HK\$100 each	100%	Property investment
Laichi Kok Amusement (Haimen) Company Limited*	PRC/PRC ***	RMB20,935,332#	100%	Operation of amusement park
Peterfame Company Limited	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Property investment
Profess World Investments Limited	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Property investment
RFC Far East Ltd.*	British Virgin Islands/ Singapore	10 ordinary shares of US\$1 each	100%	Investment holding
Tang City Properties Pte. Ltd.*	Singapore/ Singapore	100,000 ordinary shares of S\$1 each	90%	Property trading and investment
Tang Dynasty City Pte. Ltd.*	Singapore/ Singapore	25,000,000 ordinary shares of S\$1 each	95%	Construction, development and management of a leisure-entertainment complex in Singapore

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 20. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place/country of incorporation or registration/ operations	Paid up issued/ registered share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
<b>Indirect subsidiary</b>				
Far East Holdings (Jiangsu) Limited	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Investment holding
FEH Strategic Investment Pte. Ltd.*	Singapore/ Singapore	10 ordinary shares of S\$1 each	90%	Property trading and investment
Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited*	PRC/PRC **	US\$3,940,000#	51%	Garment manufacturing
RFC Far East Cafe Pte. Ltd.*	Singapore/ Singapore	100,000 ordinary shares of S\$1 each	100%	Cafeteria operations and catering
Suzhou Goldtract Commodity Concrete Company Limited*	PRC/ PRC **	US\$1,840,000#	63%	Production of commodity concrete
Tang City Parkway Pte, Ltd.*	Singapore/ Singapore	10 ordinary shares of S\$1 each	90%	Property investment

\* The financial statements of these companies have been audited by firms other than Deloitte Touche Tohmatsu.

\*\* Sino-foreign equity joint venture

\*\*\* Wholly foreign owned enterprise

# Registered capital

None of the subsidiaries had any debt securities outstanding at the end of the year.

The above table lists the subsidiaries of the Group 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 21. INVESTMENTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Unlisted shares, at cost	–	–	<b>16,020,034</b>	16,020,034
Share of net assets	<b>23,011,082</b>	18,113,898	–	–
	<b>23,011,082</b>	18,113,898	<b>16,020,034</b>	16,020,034

Particulars of the principal associate of the Company at 31st December, 2002 are as follows:

Name of associate	Place of incorporation/ operation	Proportion of nominal value of issued capital held by the Group	Principal activities
Chinasoft International Limited	Cayman Islands/ Hong Kong	36.85%	Information technology

The Group's share of results of associates for the year was based upon their unaudited consolidated management accounts made up to 31st December, 2002.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 21. INVESTMENTS IN ASSOCIATES (continued)

The following details have been extracted from the unaudited consolidated management accounts of the Group's significant associate.

### Results for the year

	2002 HK\$'000	2001 HK\$'000
Turnover	<u>108,417</u>	<u>50,867</u>
Profit from ordinary activities before taxation	<u>18,390</u>	<u>8,049</u>
Profit from ordinary activities before taxation attributable to the Group	<u>6,776</u>	<u>2,966</u>

### Financial position

Non-current assets	9,960	3,746
Current assets	80,580	65,160
Current liabilities	(17,132)	(11,237)
Non-current liabilities	<u>(10,963)</u>	<u>(8,514)</u>
Net assets	<u>62,445</u>	<u>49,155</u>
Net assets attributable to the Group	<u>23,011</u>	<u>18,113</u>

## 22. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2002 HK\$	2001 HK\$
Share of net assets	<u>7,061,482</u>	<u>6,237,435</u>

At 31st December, 2002, the Group had 65% interest in a jointly controlled entity, Wuxi Cheerman Recreation Centre Co. Ltd. ("Wuxi Cheerman"), a jointly controlled entity registered and operated in the PRC. Under a joint venture agreement, Wuxi Cheerman is jointly controlled by the Group and the other significant shareholder. Wuxi Cheerman is therefore classified as a jointly controlled entity of the Group.

The Group's share of results of a jointly controlled entity was based upon its unaudited management accounts made up to 31st December, 2002.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 23. INVESTMENTS IN SECURITIES

	Other investments		Investment securities		Total	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
<b>THE GROUP</b>						
Equity securities:						
Listed in						
Hong Kong	<b>2,631,890</b>	3,150,926	<b>16,729,501</b>	46,803,769	<b>19,361,391</b>	49,954,695
Overseas	<b>5,435,042</b>	7,466,926	–	–	<b>5,435,042</b>	7,466,926
	<b>8,066,932</b>	10,617,852	<b>16,729,501</b>	46,803,769	<b>24,796,433</b>	57,421,621
Market value of equity securities:						
Listed in						
Hong Kong	<b>2,631,890</b>	3,150,926	<b>16,729,501</b>	17,577,752	<b>19,361,391</b>	20,728,678
Overseas	<b>5,435,042</b>	7,466,926	–	–	<b>5,435,042</b>	7,466,926
	<b>8,066,932</b>	10,617,852	<b>16,729,501</b>	17,577,752	<b>24,796,433</b>	28,195,604
Carrying amount analysed for reporting purposes as:						
Current	<b>8,066,932</b>	10,617,852	–	–	<b>8,066,932</b>	10,617,852
Non-current	–	–	<b>16,729,501</b>	46,803,769	<b>16,729,501</b>	46,803,769
	<b>8,066,932</b>	10,617,852	<b>16,729,501</b>	46,803,769	<b>24,796,433</b>	57,421,621

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 23. INVESTMENTS IN SECURITIES (continued)

	Other investments	
	2002 HK\$	2001 HK\$
<b>THE COMPANY</b>		
Equity securities, at market value:		
Listed in		
Hong Kong	2,594,390	3,070,926
Overseas	5,112,827	7,025,516
	<u>7,707,217</u>	<u>10,096,442</u>

During the year ended 31st December, 2002, the Group reviewed its investments in securities in order to assess whether the recoverable amount of those securities has declined below their carrying amount. Since the market value of these investment securities has been below their carrying amount for three years, the directors have determined that the investments are impaired and consequently an impairment loss of HK\$30,358,368 has been charged to the income statement.

## 24. INVENTORIES

	THE GROUP	
	2002 HK\$	2001 HK\$
Raw materials	3,561,596	2,432,702
Work in progress	1,945,524	1,451,189
Finished goods	2,083,304	825,523
	<u>7,590,424</u>	<u>4,709,414</u>

All the inventories are carried at cost for both years.

The cost of inventories recognised as an expense during the year was HK\$60,921,572 (2001: HK\$54,444,505).

## 25. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP	
	2002 HK\$	2001 HK\$
Held under freehold land outside Hong Kong	<u>—</u>	<u>14,809,002</u>

In prior year, included in properties under development for sale was net interest capitalised of HK\$754,119.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 26. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group has a policy of allowing a credit period of 30-90 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The aged analysis of trade receivable is as follows:

	THE GROUP	
	2002 HK\$	2001 HK\$
0 – 30 days	8,134,401	3,566,262
31 – 60 days	1,134,954	2,436,456
61 – 90 days	432,397	290,840
Over 90 days	4,962,007	8,945,189
Total trade receivables	14,663,759	15,238,747
Other receivables	13,602,803	15,032,572
	<u>28,266,562</u>	<u>30,271,319</u>

## 27. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, interest-free and repayable on demand.

## 28. TRADE AND OTHER PAYABLES

The aged analysis of trade payables is as follows:

	THE GROUP	
	2002 HK\$	2001 HK\$
0 – 30 days	1,901,547	2,705,819
31 – 60 days	1,245,205	1,485,575
61 – 90 days	661,615	379,064
Over 90 days	14,125,740	16,845,300
Total trade payables	17,934,107	21,415,758
Other payables	36,546,046	76,902,198
	<u>54,480,153</u>	<u>98,317,956</u>

## 29. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and repayable on demand.

## 30. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and repayable on demand. The related companies are controlled by certain directors of the Company.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 31. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

The amount due to a jointly controlled entity is unsecured, interest-free and repayable on demand.

## 32. OBLIGATIONS UNDER FINANCE LEASES

THE GROUP	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Amounts payable under finance leases				
Within one year	<b>10,690</b>	790,086	<b>8,409</b>	762,446
In the second to fifth year inclusive	<b>19,574</b>	371,957	<b>15,418</b>	301,149
	<b>30,264</b>	1,162,043	<b>23,827</b>	1,063,595
Less: future finance charges	<b>(6,437)</b>	(98,448)	<b>N/A</b>	N/A
Present value of lease obligations	<b>23,827</b>	1,063,595	<b>23,827</b>	1,063,595
Less: amount due for settlement within 12 months (shown under current liabilities)			<b>(8,409)</b>	(762,446)
Amount due for settlement after 12 months			<b>15,418</b>	301,149

It is the Group's policy to lease certain of its furnitures and equipment under finance leases. The average lease term is five years. For the year ended 31st December, 2002, the average effective borrowing rate was 5% per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 33. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Bank overdrafts	–	4,122,939	–	–
Bank loans	<b>149,126,603</b>	223,069,134	<b>27,053,211</b>	24,400,000
Other loans	<b>4,554,518</b>	4,337,465	<b>4,554,518</b>	4,337,465
	<b><u>153,681,121</u></b>	<u>231,529,538</u>	<b><u>31,607,729</u></b>	<u>28,737,465</u>
Secured	<b>150,566,855</b>	217,308,251	<b>31,607,729</b>	18,737,465
Unsecured	<b>3,114,266</b>	14,221,287	–	10,000,000
	<b><u>153,681,121</u></b>	<u>231,529,538</u>	<b><u>31,607,729</u></b>	<u>28,737,465</u>
The maturity of the above loans and overdrafts is as follows:				
Within one year	<b>146,167,701</b>	198,813,157	<b>26,807,729</b>	19,137,465
More than one year, but not exceeding two years	<b>4,800,000</b>	19,319,713	<b>4,800,000</b>	4,800,000
More than two years, but not exceeding five years	<b>2,713,420</b>	13,396,668	–	4,800,000
	<b><u>153,681,121</u></b>	<u>231,529,538</u>	<b><u>31,607,729</u></b>	<u>28,737,465</u>
Amounts due within one year shown under current liabilities	<b><u>(146,167,701)</u></b>	<u>(198,813,157)</u>	<b><u>(26,807,729)</u></b>	<u>(19,137,465)</u>
Amounts due after one year	<b><u>7,513,420</u></b>	<u>32,716,381</u>	<b><u>4,800,000</u></b>	<u>9,600,000</u>

Included in the amounts due within one year is an amount of HK\$6,717,280 in respect of bank loans which the bank demanded immediate repayment in June 2002. The Group has defaulted in repayment and is currently in negotiation with the bank for a repayment schedule and the outstanding loan balance of HK\$3,114,266 is secured by the Group's plant, equipment and motor vehicles located in the PRC with an aggregate net book value of approximately HK\$0.8 million.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 34. SHARE CAPITAL

	Number of ordinary shares of HK\$1 each	Nominal value HK\$
<b>Authorised</b>		
At 31st December, 2001 and 2002	<u>700,000,000</u>	<u>700,000,000</u>
<b>Issued and fully paid</b>		
At 31st December, 2001 and 2002	<u>331,668,905</u>	<u>331,668,905</u>

There was no change in share capital of the Company in the two years ended 31st December, 2002.

## 35. RESERVES

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
<b>THE COMPANY</b>			
At 1st January, 2001	282,892,010	(231,880,920)	51,011,090
Loss for the year	<u>–</u>	<u>(178,229,143)</u>	<u>(178,229,143)</u>
At 1st January, 2002	282,892,010	(410,110,063)	(127,218,053)
Loss for the year	<u>–</u>	<u>(87,358,027)</u>	<u>(87,358,027)</u>
At 31st December, 2002	<u>282,892,010</u>	<u>(497,468,090)</u>	<u>(214,576,080)</u>

The Company has no distributable reserves as at 31st December, 2002 and 2001.

## 36. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
At 1st January	<b>238,960</b>	238,496	–	–
Transfer to current taxation	<b>(138,040)</b>	–	–	–
Currency realignment	<b>(3,480)</b>	464	–	–
Disposal of a subsidiary	<b>(97,440)</b>	–	–	–
At 31st December	<u>–</u>	<u>238,960</u>	<u>–</u>	<u>–</u>

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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 36. DEFERRED TAXATION (continued)

At the balance sheet date, the major components of the deferred tax liabilities (assets), provided and unprovided, are as follows:

	Provided		Unprovided	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
<b>THE GROUP</b>				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	-	238,960	<b>844,454</b>	780,157
Unutilised tax losses	-	-	<b>(18,831,245)</b>	(35,253,348)
	<u>-</u>	<u>238,960</u>	<u><b>(17,986,791)</b></u>	<u>(34,473,191)</u>
<b>THE COMPANY</b>				
Tax effect of timing differences because of:				
Shortfall of tax allowances over depreciation	-	-	<b>(575)</b>	(259)
Unutilised tax losses	-	-	<b>(12,234,765)</b>	(11,910,565)
	<u>-</u>	<u>-</u>	<u><b>(12,235,340)</b></u>	<u>(11,910,824)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 36. DEFERRED TAXATION (continued)

Net unprovided deferred tax asset has not been recognised in the financial statements as it is not certain that the deferred tax asset will be utilised in the foreseeable future.

The amount of the unprovided deferred taxation charge (credit) for the year is as follows:

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<b>HK\$</b>	HK\$
<hr/>		
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	<b>64,297</b>	424,104
Tax losses arising	<b>(1,836,539)</b>	(6,117,601)
Tax losses over recognised in prior year	<b>18,258,642</b>	–
Changes in tax rates	–	(180,412)
	<hr/>	<hr/>
	<b><u>16,486,400</u></b>	<b><u>(5,873,909)</u></b>

Deferred taxation has not been provided on the surplus arising on the revaluation of investment properties as profit or loss arising on the disposal of these assets would not be subject to taxation. Accordingly, the surplus arising on revaluation does not constitute a timing difference for tax purpose.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 37. DISPOSAL OF SUBSIDIARIES

	THE GROUP	
	2002 HK\$	2001 HK\$
NET ASSETS DISPOSED OF		
Property, plant and equipment	130,665,465	–
Land held for development	30,936,352	–
Inventories	25,006	–
Properties under development for sale	14,385,935	–
Trade and other receivables	4,299,201	5,502,893
Bank balances and cash	241,819	10,034
Trade and other payables	(35,510,065)	(8,825,700)
Tax liabilities	(8,516,039)	–
Obligations under finance leases	(898,904)	–
Bank and other borrowings	(79,741,583)	–
Deferred taxation	(97,440)	–
Minority interest	(29,233,468)	–
	<u>26,556,279</u>	(3,312,773)
Exchange losses realised	27,080,997	–
	<u>53,637,276</u>	(3,312,773)
(Loss) profit on disposal of subsidiary	<u>(46,817,276)</u>	3,312,816
	<u>6,820,000</u>	43
Satisfied by:		
Cash	682,000	43
Deferred consideration, included in other receivable	6,138,000	–
	<u>6,820,000</u>	43
Net cash inflow (outflow) arising on disposal		
Cash consideration	682,000	43
Bank balances and cash disposed of	(241,819)	(10,034)
	<u>440,181</u>	(9,991)

The deferred consideration was subsequently settled by the purchaser in February, 2003.

The subsidiary disposed of during the year contributed HK\$11,149,635 to the Group's turnover and contributed HK\$1,776,444 to the Group's loss from operations.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 38. MAJOR NON-CASH TRANSACTIONS

The Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$351,190 (2001: HK\$96,772).

In 2001, an amount due from an associate amounting of HK\$12,706,835 had been capitalised into investment cost of associate.

In 2001, an amount due from an entity amounting of HK\$137,000,000 had been reclassified into interest in leisure-entertainment complex.

## 39. PLEDGE OF ASSETS

At the balance sheet date:

- (a) banking facilities to the extent of approximately HK\$50 million (2001: HK\$40 million), of which HK\$22 million (2001: HK\$14.4 million) were utilised, are secured by the legal mortgage of certain of the Group's investment properties in Hong Kong with an aggregate net book value of approximately HK\$45.6 million (2001: HK\$46.6 million).
- (b) margin trading facilities in respect of securities transactions to the extent of approximately HK\$5.9 million (2001: HK\$7.3 million), of which HK\$4.6 million (2001: HK\$4.3 million) were utilised, are secured by the Group's listed investments of approximately HK\$17 million (2001: HK\$47 million).
- (c) overdraft and revolving loan facilities to the extent of approximately HK\$6.2 million (2001: HK\$2 million), of which were all unutilised, are secured by time deposits held by the Group of approximately HK\$6.6 million (2001: HK\$2.6 million).
- (d) overdraft and revolving loan facilities to the extent of approximately HK\$40 million, of which HK\$5 million were utilised, are secured by a floating charge over all the asset of the Company.
- (e) banking facilities to the extent of approximately HK\$115.5 million (2001: HK\$127 million) of which HK\$115.4 million (2001: HK\$115 million) were utilised, are secured by:
  - (i) Group's investment properties in Singapore with an aggregate net book value of approximately HK\$164.5 million (2001: HK\$173 million); and
  - (ii) severally guaranteed by the Company and a director of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

## 40. CONTINGENT LIABILITIES

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

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Guarantees given to banks, in respect of banking facilities utilised by subsidiaries	—	—	<b>130,944,432</b>	148,062,481

## 41. OPERATING LEASE COMMITMENTS

At 31st December, 2002, the Group and the Company had no commitments under operating leases (2001: HK\$10,859,518).

## 42. CAPITAL COMMITMENTS

At the balance sheet date, there were outstanding capital commitments authorised and contracted for, but not provided for in the financial statements in respect of:

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Contribution to capital of investment	—	—	<b>9,678,271</b>	9,678,271

At the balance sheet date, the Group and the Company has no capital expenditure that has been authorised but not contracted for.

## 43. RETIREMENT BENEFITS SCHEME

The Group participates in certain defined contribution schemes in Hong Kong and Singapore and make contributions for its eligible employees. The contributions borne by the Group are calculated at certain percentage of the salaries and wages. The retirement benefits cost charged to the income statement represents contributions paid and payable to the scheme.

## 44. POST BALANCE SHEET EVENT

Subsequent to 31st December, 2002, the Group had disposed certain of its investment securities at a carrying amount of HK\$3,650,000 to a related company, Far East Hotels and Entertainment Limited ("Far East Hotels") for a total cash consideration of HK\$2,750,000. The consideration represents a discount of approximately 8.33% to the closing price of the shares as quoted on The Stock Exchange of Hong Kong Limited on 28th March, 2003 and a discount of approximately 8.48% to the average closing price for the last ten trading days. For more details, please refer to the joint announcement of connected transaction made by the Company and Far East Hotels dated 31st March, 2003.