

Notes to the Financial Statements

For the year ended 30 June 2003

1. GENERAL

The Company was incorporated in Bermuda under the Company Act 1981 of Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The Group is principally engaged in trade related operations, travel related operations and property investments.

2. 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 ("SSAP(s)") issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and inclusion of the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign Currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas subsidiaries 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 years.

Cash Flow Statements

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. Interests received and interest paid, which were previously presented under a separate heading, are classified as investing and operating 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. Cash flows of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

Employee Benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June 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.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

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

Goodwill is capitalised and amortised on a straight-line basis over its estimated useful economic life.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

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

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For the year ended 30 June 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Service and commission income is recognised when the services are rendered.

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

Property rental income under operating leases is recognised on a straight line basis over the terms of the relevant lease.

Property, plant and equipment

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

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

Leasehold improvements	Over the shorter of the term of the leases, or 5 years
Furniture, fixtures and office equipment	15% to 20%
Motor vehicles	18%

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit 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 in respect of investment properties which are held on leases with unexpired terms, including the renewable period, of more than twenty years.

Investment securities

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

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 identified impairment loss.

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

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

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For the year ended 30 June 2003

3. 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 recognitions 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 asset will crystallise in the foreseeable future.

Foreign currencies

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

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. 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.

Retirement benefits costs

Payments to defined contribution retirement benefit plans are charged as expenses as they fall due.

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three operating divisions – trade related operations, travel related operations and property investments. These principal operating activities are the basis on which the Group reports its primary segment information.

Notes to the Financial Statements

For the year ended 30 June 2003

4. SEGMENT INFORMATION (continued)

Segment information about these businesses is presented below:

INCOME STATEMENT

	Trade related operations		Travel related operations		Property investments		Consolidated total	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	2,415	19,232	531	705	1,047	-	3,993	19,937
Segment results	(5,040)	1,687	(41)	4	1,029	-	(4,052)	1,691
Other operating income							894	546
Unallocated corporate expenses							(12,470)	(16,102)
Loss on disposal of investment securities							(7,884)	-
Impairment loss recognised in respect of investment securities							(650)	-
Loss from operations							(24,162)	(13,865)
Finance costs							(4)	-
Gain arising from waiver of the creditors' indebtedness							-	138,897
(Loss) profit before taxation							(24,166)	125,032
Taxation							-	-
(Loss) profit before minority interests							(24,166)	125,032
Minority interests							37	-
Net (loss) profit for the year							(24,129)	125,032

Notes to the Financial Statements

For the year ended 30 June 2003

4. SEGMENT INFORMATION (continued)

BALANCE SHEET

	Trade related operations		Travel related operations		Property investments		Consolidated total	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS								
Segment assets	5,154	153,798	3	30	268,868	-	274,025	153,828
Unallocated corporate assets							21,404	9,269
Consolidated total assets							295,429	163,097
LIABILITIES								
Segment liabilities	1,286	876	-	-	-	-	1,286	876
Unallocated corporate liabilities							28,829	-
Consolidated total liabilities							30,115	876

OTHER INFORMATION

	Trade related operations		Travel related operations		Property investments		Unallocated		Consolidated total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions of property, plant and equipment	1,190	928	-	-	-	-	-	-	1,190	928
Depreciation of property, plant and equipment	277	162	-	-	-	-	335	-	612	162

Notes to the Financial Statements

For the year ended 30 June 2003

4. SEGMENT INFORMATION (continued)

Geographical segments

The Group's operations are located in Hong Kong and other regions in the PRC.

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

	Turnover	
	2003 HK\$'000	2002 HK\$'000
Hong Kong	531	19,937
PRC	3,462	–
	3,993	19,937

The following is an analysis of the carrying amount of segment assets at the balance sheet date, 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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	2,324	163,097	–	928
PRC	293,105	–	1,190	–
	295,429	163,097	1,190	928

Notes to the Financial Statements

For the year ended 30 June 2003

5. LOSS FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Auditors' remuneration	230	180
Depreciation included in administrative expenses	612	162
Amortisation of goodwill included in administrative expenses	10	–
Staff costs	8,136	3,850
Operating lease rentals in respect of office premises	1,493	834
Rental income from investment properties	(1,047)	–
Interest income	(584)	(244)
Net foreign exchange gain	(151)	–

6. FINANCE COSTS

The amount represents interest on bank borrowings wholly repayable within five years.

7. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

(i) Directors' emoluments

	2003 HK\$'000	2002 HK\$'000
Fees		
Executive directors	333	–
Independent non-executive directors	315	–
Other emoluments to executive directors:		
Salaries and other benefits	5,196	2,563
Retirement benefits schemes contributions	178	79
	6,022	2,642

Notes to the Financial Statements

For the year ended 30 June 2003

7. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (continued)

(i) Directors' emoluments (continued)

The emoluments of the directors were within the following bands:

	2003 Number of directors	2002 Number of directors
Nil to HK\$1,000,000	5	10
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	–

During the year, no emoluments were paid by the Group to the directors as a discretionary bonus or an inducement to join or upon joining the Group or as a compensation for loss of office.

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

(ii) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2002: three) were directors of the Company and their emoluments are set out above. The emoluments of the remaining two (2002: two) individuals are as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	736	344
Retirement benefits schemes contributions	34	15
	770	359

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8. GAIN ARISING FROM WAIVER OF CREDITORS' INDEBTEDNESS

Upon the completion of the restructuring agreements on 10 December 2001, the creditors' indebtedness of the Company, including convertible bonds and amounts due to all other creditors of the Company as at 16 February 2001 was discharged in full by way of a cash payment of HK\$72,500,000 on a pro-rata basis, which resulted in a gain of approximately HK\$138,897,000 for the year ended 30 June 2002.

9. TAXATION

No provision for profits tax has been made in the financial statements as the Group had no assessable profit for the year.

Details of the potential deferred tax asset not provided for in the year are set out in note 22.

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the net loss for the year of approximately HK\$24,129,000 (2002: profit of approximately HK\$125,032,000) and weighted average number of 3,264,495,000 (2002: 1,313,580,000) shares in issue during the year.

The weighted average number of shares for the year ended 30 June 2002 for the purpose of calculating the basic earnings per share has been adjusted for the effect of share consolidation approved on 22 November 2002.

Notes to the Financial Statements

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11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
The Group				
COST				
At 1 July 2002	539	389	–	928
Additions	575	116	499	1,190
At 30 June 2003	1,114	505	499	2,118
DEPRECIATION				
At 1 July 2002	130	32	–	162
Provided for the year	477	77	58	612
At 30 June 2003	607	109	58	774
NET BOOK VALUES				
At 30 June 2003	507	396	441	1,344
At 30 June 2002	409	357	–	766

Notes to the Financial Statements

For the year ended 30 June 2003

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Total HK\$'000
The Company			
COST			
At 1 July 2002 and 30 June 2003	539	198	737
DEPRECIATION			
At 1 July 2002	130	15	145
Provided for the year	269	31	300
At 30 June 2003	399	46	445
NET BOOK VALUES			
At 30 June 2003	140	152	292
At 30 June 2002	409	183	592

12. INVESTMENT PROPERTIES

	HK\$'000
The Group	
VALUATION	
Acquisition of subsidiaries	252,600
Surplus arising on revaluation	16,268
At 30 June 2003	268,868

The Group's investment properties are revalued at 30 June 2003 by Shanghai Real Estate Appraisers Co. Ltd., on an open market value basis. This valuation gave rise to a revaluation increase of HK\$16,268,000 which has been credited to the investment property revaluation reserve.

The Group has pledged certain of its investment properties to secure general banking facilities granted to the Group.

The Group's investment properties are situated in the PRC and are held under medium-term leases.

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For the year ended 30 June 2003

13. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	223,095	223,095
Less: Impairment loss recognised	(67,085)	(67,085)
	156,010	156,010

Details of the Company's principal subsidiaries as at 30 June 2003 are as follows:

Name	Place of incorporation/ registration	Issued share capital/ registered capital	Attributable equity interest of the Company		Principal activities
			Directly	Indirectly	
			%	%	
Time Park Limited	Hong Kong	HK\$100	–	100	Trading
國欽國際貿易(上海) 有限公司("Guo Chin") #	PRC	US\$20,000,000	100	–	Trading and investment holding
上海時美科汽車 有限公司("Shi Mei Ke") ##	PRC	RMB10,000,000	–	80	Trading
Ecflyer.com Limited	Hong Kong	HK\$2	–	100	Travelling agency services (Ticketing and provision of hotel reservation services)
Wealth Sea Investment Limited	British Virgin Islands	US\$1	–	100	Property investments
Trend Glory Investments Limited	British Virgin Islands	US\$1	–	100	Property investments

Notes to the Financial Statements

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13. INVESTMENTS IN SUBSIDIARIES (continued)

Guo Chin is a wholly-owned foreign enterprise.

Shi Mei Ke is a limited company. Shi Mei Ke is a domestic enterprise in the PRC owned legally by a PRC Company on behalf of the Company pursuant to a trustee agreement dated 4 December 2002. In the opinion of the directors, the Company has effective control over the operational and financial policies of Shi Mei Ke and therefore the latter has been included as a subsidiary of the Company since date of acquisition during the year.

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

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

14. INVESTMENT SECURITIES

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Unlisted investment in Hong Kong, at cost	650	650
Impairment loss recognised	(650)	–
	–	650

15. GOODWILL

	THE GROUP
	HK\$'000
COST	
Arising on acquisition during the year and at 30 June 2003	104
AMORTISATION	
Charge for the year and at 30 June 2003	10
NET BOOK VALUE	
At 30 June 2003	94

The amortisation period adopted for goodwill is 5 years.

16. DEPOSIT

The Group

The deposit represented monies (the “Trust Monies”) placed with a company incorporated in the PRC (the “Assets Management Company”) and was engaged in the business of assets management. Pursuant to a trust agreement entered into between Guo Chin, a wholly-owned subsidiary of the Company and the Assets Management Company on 19 June 2002, the Asset Management Company guaranteed Guo Chin a return of at least 6 percent per annum from the Trust Monies placed with it during the period from 19 June 2002 to 18 July 2002.

The Trust Monies were received by the Group with an investment return of 6 percent per annum during the year.

17. AMOUNT DUE TO A RELATED COMPANY

The Group and the Company

The amount represents advance from Sourcebase Developments Limited, in which Mr. Zhang Yang, a director of the Company, has a beneficial interest and is unsecured, non interest-bearing and has no fixed terms of repayment.

18. BANK LOAN, SECURED

The Group

The amount bears interest at prevailing market rate, repayable within one year and is secured by certain of the Group’s investment properties.

Notes to the Financial Statements

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19. SHARE CAPITAL

	NOTES	Number of shares '000	Share capital HK\$'000
Authorised:			
At July 2001 and 30 June 2002, shares of HK\$0.01 each		50,000,000	500,000
Share consolidation, shares of HK\$0.1 each	(1)	(45,000,000)	–
At 30 June 2003, shares of HK\$0.1 each		5,000,000	500,000
Ordinary shares, issued and fully paid:			
At 1 July 2001, shares of HK\$0.01 each		4,861,831	48,618
Issue of shares		5,500,000	55,000
Exercise of warrants		16,500,000	165,000
At 30 June 2002, shares of HK\$0.01 each		26,861,831	268,618
Issue of shares	(2)	4,370,000	43,700
Share consolidation, shares of HK\$0.1 each	(1)	(28,108,648)	–
Issue of shares	(2)	624,000	62,400
At 30 June 2003, shares of HK\$0.1 each		3,747,183	374,718

Notes:

(1) Share consolidation

Pursuant to a special resolution passed at a special general meeting held on 22 November 2002, every ten issued and unissued shares of HK\$0.01 each in the capital of the Company were consolidated into one new share of HK\$0.1 each. Accordingly, on this basis issued share capital of approximately HK\$312,318,000 is divided into 3,123,183,000 shares of HK\$0.1 each upon the share consolidation.

(2) Issue of shares

On 18 October 2002, an agreement was made for a placing and subscription of 4,370,000,000 new ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.011 per share, which represented a discount of approximately 8.33% to the closing price per share of HK\$0.012 as quoted on the Stock Exchange on 17 October 2002 and a discount of approximately 11.29% over the average closing price of the shares for the last ten trading days of HK\$0.0124 per share. The placing was completed on 6 November 2002.

On 10 December 2002, an agreement was made for a placing and subscription of 624,000,000 new ordinary shares of HK\$0.1 each in the Company at a price of HK\$0.1 per share, which was equal to the closing price per share of HK\$0.1 as quoted on the Stock Exchange on 9 December 2002 and represented a premium of approximately 1% over the average closing price of the shares for the last ten trading days of HK\$0.099 per share. The placing was completed on 8 January 2003.

The net proceeds was used as working capital, funding investment projects, and development of the business in trading motor vehicles and related components and parts.

These shares ranked pari passu with all other shares in issue in all respects.

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20. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
The Company				
At 1 July 2001	114,223	16,048	(157,076)	(26,805)
Net loss for the year	–	–	(78,312)	(78,312)
At 30 June 2002	114,223	16,048	(235,388)	(105,117)
Issue of shares	4,370	–	–	4,370
Share issue expenses	(1,113)	–	–	(1,113)
Net loss for the year	–	–	(13,553)	(13,553)
At 30 June 2003	117,480	16,048	(248,941)	(115,413)

The contributed surplus of the Company brought forward represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the group reorganisation completed on 15 October 1996, over the nominal value of the Company's shares issued in exchange therefore.

In accordance with the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus is available for cash distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus account if:

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

In the opinion of the directors, the Company has no reserves available for distribution to its shareholders at the balance sheet date.

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21. ACQUISITION OF SUBSIDIARIES

	HK\$'000
Net assets acquired:	
Investment properties	252,600
Other receivables	8,034
Bank balances	145
Other payables	(7)
Minority interests	(1,634)
	259,138
Goodwill	104
	259,242
Total consideration, satisfied by cash	259,242
Analysis of net cash outflow in respect of acquisition of subsidiaries:	
Cash consideration	(259,242)
Bank balances acquired	145
	(259,097)

The subsidiaries acquired during the year had turnover and profit before taxation of HK\$1,140,000 and HK\$1,010,000, respectively, for the period between the date of acquisition and the balance sheet date.

22. DEFERRED TAXATION

At the balance sheet date, the major components of unprovided deferred tax assets are as follows:

	The Group		The Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences because of:				
Tax losses	6,213	1,004	2,612	328
Differences between tax allowances and depreciation	9	55	(4)	39
	6,222	1,059	2,608	367

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22. DEFERRED TAXATION (continued)

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

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences because of:				
Tax losses arising	5,127	677	2,253	–
Differences between tax allowances and depreciation	(51)	55	(46)	40
Effect of change in tax rate	87	–	34	–
	5,163	732	2,241	40

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

23. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of office premises which fall due as follows:

	2003 HK\$'000	2002 HK\$'000
Within one year	717	1,100
In the second to fifth year inclusive	–	504
	717	1,604

Leases are mainly negotiated for an average term of three years and rentals are fixed for an average of three years.

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23. OPERATING LEASE COMMITMENTS (continued)

The Group as lessor

Property rental income earned during the year was HK\$1,047,000 (2002: Nil).

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

	2003 HK\$'000	2002 HK\$'000
Within one year	1,698	–

The lease is negotiated for an average term of one year.

24. SHARE OPTION SCHEME

The share option scheme of the Company was adopted by the Company on 17 April 2002 (the "Option Scheme"). The major terms of the Option Scheme are summarised as follows:

1. The purpose of the Option Scheme is to provide incentives to the participants.
2. The participants of the Option Scheme include any employee or director of any member of the Group.
3. The maximum number of shares in respect of which options might be granted under the Option Scheme must not exceed 10% of the issued share capital of the Company from time to time and should be a maximum of 374,718,000 shares at 30 June 2003.
4. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with the total number of shares issued and issuable under any option granted to the same participant under the Option Scheme, must not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Option Scheme from time to time.
5. No minimum period of holding is required before the option became exercisable.
6. The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK\$1 from the grantee to the Company.

24. SHARE OPTION SCHEME (continued)

7. The subscription price shall not be lower than the higher of:
 - (i) the closing price of the shares as stated in the Stock Exchange daily quotation sheets on the date of grants, which must be a trading date;
 - (ii) the average closing price of the shares as stated in the Stock Exchange daily quotation sheets for the five trading days immediately proceeding the date of grant; and
 - (iii) the nominal value of the share.
8. The Option Scheme will be expired on 17 April 2012.
9. No share options were granted or exercised under the Option Scheme during the year.

25. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The retirement benefits cost charged to income statement represents contributions payable to the MPF Scheme by the Group at rates specified in the rules of the Scheme. Where there are employees joined the MPF Scheme who leave the MPF Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. For the year ended 30 June 2003, no forfeit voluntary contributions of the MPF Scheme credited to the income statement.

The employees of the subsidiaries in the PRC are members of retirement benefits schemes operated by the PRC government. The relevant PRC subsidiaries are required to contribute a certain percentage of the relevant portion of the payroll of their current employees to the pension scheme to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of services in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

The total cost charged to income statements of approximately HK\$445,000 (2002: HK\$66,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

Notes to the Financial Statements

For the year ended 30 June 2003

26. RELATED PARTY TRANSACTIONS

Apart from the amount due to a related company disclosed in note 17, the Group entered into the following related party transactions during the year:

(1)	Related companies in which Mr. Zhang Yang is the controlling shareholder	
	2003 HK\$'000	2002 HK\$'000
Service income from the travel agency business	260	–
Commission and brokerage charges	(188)	–

- (2) Pursuant to a placing agreement dated 18 October 2002 entered into between the Company and Interchina Securities Limited ("Interchina") in which Mr. Zhang Yang, a director of the Company, has a beneficial interest, Interchina procured for the placing and subscription of 4,370,000,000 new ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.011 per share and the Company paid a placing fee of approximately HK\$721,000 to Interchina. The transaction was completed on 6 November 2002.

These transactions were transacted at prices agreed between the parties and in accordance with the relevant agreements governing the transactions.