

## Notes to the Financial Statements

Year Ended 31 December 2003

### 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the Stock Exchange. Its ultimate holding company is Giant Glory Assets Limited, a company incorporated in the British Virgin Islands.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 36.

### 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAP”)

In the current year, the Group has adopted SSAP 12 (Revised) “Income Taxes” issued by the Hong Kong Society of Accountants for the first time. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this standard has had no material effect on the results for the prior accounting periods. Accordingly, no prior period adjustment has been required.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

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 31 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.

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

## Notes to the Financial Statements

Year Ended 31 December 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

#### **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 plus goodwill on acquisition in so far as it has not already been amortised, less any identified impairment loss.

#### **Goodwill**

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

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

#### **Negative goodwill**

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

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

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

## Notes to the Financial Statements

Year Ended 31 December 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Properties for sale

Completed properties and properties under development held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

#### Property, plant and equipment

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

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

Motor vehicles	20%
Leasehold improvements	20%
Furniture and equipment	20%

The gain or loss arising from 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.

#### Investment 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 or 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 year.

## Notes to the Financial Statements

Year Ended 31 December 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **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 loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

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, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

#### **Capitalisation of 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

#### **Taxation**

Taxation represents the sum of the tax currently payable and deferred tax.

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

## Notes to the Financial Statements

Year Ended 31 December 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Taxation** *(continued)*

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

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

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

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

#### **Operating leases**

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

#### **Retirement benefit scheme contributions**

Payments to retirement benefit schemes are charged as an expense as they fall due.

## Notes to the Financial Statements

Year Ended 31 December 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Foreign currencies**

Transactions in currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

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

#### **Related parties**

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

#### **Revenue recognition**

##### *Sales of properties*

Income from sales of properties is recognised upon the execution of a binding sales agreement or upon the issuance of an occupation permit/completion certificate by the relevant authority, whichever is the later. Deposits received from forward sales of properties are carried in the balance sheet under current liabilities.

##### *Sales for air tickets*

Sales of air tickets are recognised when the tickets are issued and delivered to the customers.

##### *Provision of travel related services*

Service fee income is recognised when the services have been provided to the customers.

##### *Dividend income*

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

##### *Interest income*

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

## Notes to the Financial Statements

Year Ended 31 December 2003

### 4. TURNOVER

Turnover represents the aggregate of proceeds from sales of properties and amounts received and receivable for air tickets sold and the provision of the other travel related services, less allowances, to outside customers.

Turnover is analysed as follows:

	2003	2002		Total HK\$'000
	Total HK\$'000	Continuing operation HK\$'000	Discontinued operation HK\$'000	
Sales of properties	317,533	–	–	–
Sales of air tickets, including incentive commission from airlines, and revenue from other travel related services	18,686	–	869,439	869,439
	336,219	–	869,439	869,439

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### a) Business segment

For the year ended 31 December 2003, over 90% of the Group's revenue and assets are attributable to the sales of properties. For the year ended 31 December 2002, all the Group's revenue and assets are attributable to the sales of air tickets and travel related business.

#### b) Geographical segment

For the year ended 31 December 2003, over 90% of the Group's business was derived from activities in the PRC and more than 90% of the Group's total assets are located in the PRC as at 31 December 2003.

For the year ended 31 December 2002, all of the Group's business was derived from activities in Hong Kong and all of the Group's total assets are located in Hong Kong as at 31 December 2002.

## Notes to the Financial Statements

Year Ended 31 December 2003

### 6. PROFIT/(LOSS) FROM OPERATIONS

	2003	2002		Total HK\$'000
	Total HK\$'000	Continuing operation HK\$'000	Discontinued operation HK\$'000	
Profit/(loss) from operations has been arrived at after charging:				
Auditors' remuneration	260	403	240	643
Depreciation	909	200	1,227	1,427
Staff costs, excluding directors' emoluments and retirement benefits scheme contributions	5,146	841	19,715	20,556
Loss on disposal of property, plant and equipment	472	–	183	183
Directors' emoluments (note 8)	1,480	2,704	–	2,704
Retirement benefit scheme contribution, excluding directors'	190	28	821	849
Unrealised holding loss on investment in securities	61	–	–	–
Amortisation of goodwill (included in administrative expenses)	75	–	–	–
and after crediting:				
Gain on disposal of investment in securities	(119)	–	–	–
Interest income	(1,406)	(460)	(136)	(596)
Dividend income	(311)	–	–	–



## Notes to the Financial Statements

Year Ended 31 December 2003

### 7. FINANCE COSTS

	2003 Total HK\$'000	Continuing operation HK\$'000	2002 Discontinued operation HK\$'000	Total HK\$'000
Interest on:				
Bank loans and overdraft	12,391	–	121	121
Amounts due to related companies	–	–	1,074	1,074
	12,391	–	1,195	1,195
Less:				
Amount capitalised in properties for sale	(12,384)	–	–	–
	7	–	1,195	1,195

### 8. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

#### Directors' emoluments

	2003 Total HK\$'000	Continuing operation HK\$'000	2002 Discontinued operation HK\$'000	Total HK\$'000
Fees:				
Executive directors	–	–	–	–
Independent non-executive directors	260	208	–	208
	260	208	–	208
Other emoluments for executive directors:				
Salaries and other benefits	1,200	2,472	–	2,472
Retirement benefits scheme contributions	20	24	–	24
	1,220	2,496	–	2,496
Total emoluments	1,480	2,704	–	2,704

## Notes to the Financial Statements

Year Ended 31 December 2003

### 8. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(continued)

#### Directors' emoluments (continued)

The emoluments of the directors are within the following bands:

	Number of directors	
	2003	2002
	HK\$'000	HK\$'000
Nil – HK\$1,000,000	8	9
HK\$1,000,001 – HK\$1,500,000	1	–

During the year ended 31 December 2003, no directors waived any emoluments (2002: Nil).

#### Five highest paid individuals' emoluments

During the year, the five highest paid individuals included one director (2002: four), details of whose emoluments are set out above. The emoluments of the remaining four (2002: one) individuals were as follows:

	2003	2002		Total HK\$'000
	Total HK\$'000	Continuing operation HK\$'000	Discontinued operation HK\$'000	
Salaries and other benefits	1,320	248	–	248
Retirement benefits scheme contributions	47	8	–	8
	1,367	256	–	256

The emoluments of the remaining individuals are within the emoluments band of less than HK\$1,000,000.

## Notes to the Financial Statements

Year Ended 31 December 2003

### 9. TAXATION

	2003 Total HK\$'000	Continuing operation HK\$'000	2002 Discontinued operation HK\$'000	Total HK\$'000
Current tax				
Hong Kong	–	–	–	–
Other jurisdictions	15,160	–	–	–
	15,160	–	–	–
Over provision in prior years	–	–	(317)	(317)
Deferred tax (note 25)	(2,422)	–	–	–
Taxation attributable to the Group	12,738	–	(317)	(317)
Share of taxation attributable to associates	254	5,524	–	5,524
	12,992	5,524	(317)	5,207

No provision for Hong Kong Profits Tax has been made as the Group made no assessable profit in Hong Kong for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## Notes to the Financial Statements

Year Ended 31 December 2003

### 9. TAXATION (continued)

The taxation charge for the year reconciled to the profit per the income statement is as follows:

	The Group	
	2003 HK\$'000	2002 HK\$'000
Profit before tax	77,514	22,759
Tax at the applicable PRC enterprise income tax rate of 15% (2002: Hong Kong Profits tax rate of 16%)	11,627	3,641
Tax effect of expenses that are not deductible in determining taxable profit	3,360	918
Tax effect of income that is not taxable in determining taxable profit	(1,995)	(1,881)
Effect of different tax rates of associates operating in other jurisdiction	–	2,846
Over provision in prior years	–	(317)
Taxation for the year	12,992	5,207

### 10. DIVIDENDS

No dividend was paid or proposed during 2003, nor has any dividend been proposed since the balance sheet date (2002: Nil).

### 11. EARNINGS PER SHARE

The calculation of the basic earning per share is based on the net profit for the year of HK\$34,089,000 (2002: HK\$11,801,000) and on the weighted average number of 4,330,782,558 (2002: 4,193,659,270) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in issue during the current year and, accordingly, no diluted earning per share was presented.

## Notes to the Financial Statements

Year Ended 31 December 2003

### 12. PROPERTY, PLANT AND EQUIPMENT

#### The Group

	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Total HK\$'000
<b>COST</b>				
At 1 January 2003	–	185	463	648
Acquisition of subsidiaries	3,670	33	1,216	4,919
Additions	1,444	287	615	2,346
Disposals	(2,057)	(147)	(305)	(2,509)
At 31 December 2003	3,057	358	1,989	5,404
<b>DEPRECIATION</b>				
At 1 January 2003	–	150	137	287
Acquisition of subsidiaries	1,078	14	440	1,532
Provided for the year	696	20	193	909
Eliminated on disposals	(1,004)	(142)	(132)	(1,278)
At 31 December 2003	770	42	638	1,450
<b>NET BOOK VALUES</b>				
At 31 December 2003	2,287	316	1,351	3,954
At 31 December 2002	–	35	326	361

## Notes to the Financial Statements

Year Ended 31 December 2003

### 12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

#### The Company

	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Total HK\$'000
<b>COST</b>			
At 1 January 2003	185	463	648
Additions	–	52	52
Disposals	(148)	(305)	(453)
At 31 December 2003	37	210	247
<b>DEPRECIATION</b>			
At 1 January 2003	150	137	287
Provided for the year	3	42	45
Eliminated on disposals	(142)	(132)	(274)
At 31 December 2003	11	47	58
<b>NET BOOK VALUES</b>			
At 31 December 2003	26	163	189
At 31 December 2002	35	326	361

### 13. GOODWILL

	The Group HK\$'000
<b>COST</b>	
Arising on acquisition of a subsidiary during the year and at 31 December 2003	748
<b>AMORTISATION</b>	
Charge for the year and at 31 December 2003	(75)
<b>NET BOOK VALUE</b>	
At 31 December 2003	673
At 31 December 2002	–

Goodwill on consolidation is amortised on a straight-line basis over 10 years.

## Notes to the Financial Statements

Year Ended 31 December 2003

### 14. NEGATIVE GOODWILL

	The Group HK\$'000
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GROSS AMOUNT	
Arising on acquisition of subsidiaries during the year and at 31 December 2003	77,340
RELEASED TO INCOME	
Released in the year and at 31 December 2003	(12,871)
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CARRYING AMOUNT	
At 31 December 2003	64,469
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At 31 December 2002	–
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Negative goodwill is released to income on a straight-line basis over 5 years, the remaining average useful life of the depreciable assets acquired.

### 15. INTERESTS IN SUBSIDIARIES

	The Company	
	2003 HK\$'000	2002 HK\$'000
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Unlisted shares, at cost	1	1
Amounts due from subsidiaries	114,927	101,042
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	<b>114,928</b>	101,043
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Particulars of the Company's subsidiaries at 31 December 2003 are set out in note 36.

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. In the opinion of the directors, the Company will not demand for repayment within twelve months from the balance sheet date and the amounts are therefore shown as non-current.

## Notes to the Financial Statements

Year Ended 31 December 2003

### 16. INTERESTS IN ASSOCIATES

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Share of net assets	27,896	29,582	–	–
Unamortized goodwill arising on acquisition of associates	2,249	2,530	–	–
	30,145	32,112	–	–
Amount due from an associate	750	509	1,522	–
	30,895	32,621	1,522	–

Particulars of the Group's principal associates at 31 December 2003 are set out in note 37. The amount due from an associate is unsecured, interest free and has no fixed repayment term. In the opinion of the directors, the Company will not demand for repayment within twelve months from the balance sheet date and the amount is therefore shown as non-current.

Goodwill arising on the acquisition of associates is amortised on a straight-line basis over 10 years.

### 17. INVESTMENT IN SECURITIES

	The Group			
	Other investment		Investment securities	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Equity securities listed in Hong Kong	3,914	–	–	12,564
Market value of the listed securities	3,914	–	–	11,260
Carrying amount analysed for reporting purposes as:				
Current	3,914	–	–	–
Non-current	–	–	–	12,564



## Notes to the Financial Statements

Year Ended 31 December 2003

### 18. PROPERTIES FOR SALE

	The Group	
	2003 HK\$'000	2002 HK\$'000
Properties for sale		
– Completed		
– Under development	4,408	–
	405,209	–
	409,617	–

The properties for sale are carried at cost and pledged to banks to secure bank loans granted to the Group.

### 19. TRADE AND OTHER RECEIVABLES

The Group grants a credit period ranging from 30 to 60 days on average to its customers.

Included in trade and other receivables of the Group are trade receivables of HK\$18,982,000 (2002: Nil). The ageing analysis at the balance sheet date is as follows:

	The Group	
	2003 HK\$'000	2002 HK\$'000
0 -30 days	10,556	–
31 – 60 days	5,503	–
61 – 90 days	1,210	–
91 – 180 days	1,361	–
181 – 360 days	116	–
Over 360 days	236	–
	18,982	–

### 20. ADVANCE FOR INVESTMENT

Advance for investment represents the payment made to an independent third party for certain proposed investments. The amount has been fully repaid after the balance sheet date.

## Notes to the Financial Statements

Year Ended 31 December 2003

### 21. RESTRICTED CASH

The amount represents deposit pledged with the government of Macau Special Administrative Region for provision of travel related services.

### 22. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$61,272,000 (2002: HK\$Nil). The ageing analysis at the balance sheet date is as follows:

	The Group	
	2003 HK\$'000	2002 HK\$'000
0 – 30 days	6,496	–
31 – 60 days	250	–
61 – 90 days	59	–
91 – 180 days	54,272	–
181 – 360 days	76	–
Over 360 days	119	–
	<b>61,272</b>	–

### 23. AMOUNTS DUE TO A RELATED COMPANY/A DIRECTOR/ SHAREHOLDER'S LOAN

The amounts are unsecured, non-interest bearing and have no fixed repayment term.

### 24. BANK LOANS – SECURED

	The Group	
	2003 HK\$'000	2002 HK\$'000
Secured bank loans repayable:		
On demand or within one year	150,943	–
More than one year but not exceeding two years	94,340	–
	<b>245,283</b>	–
Less: Amount due within one year shown under current liabilities	<b>(150,943)</b>	–
Amount due after one year	<b>94,340</b>	–

## Notes to the Financial Statements

Year Ended 31 December 2003

### 25. DEFERRED TAX

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the year:

	The Group Revaluation of properties for sale	
	2003 HK\$'000	2002 HK\$'000
At 1 January	–	–
Acquisition of a subsidiary	14,532	–
Credit to income for the year (note 9)	(2,422)	–
At 31 December	12,110	–

### 26. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.02 each		
Authorised:		
Balance at 31 December 2002 and 2003	10,000,000,000	200,000
Issued and fully paid:		
Balance at 31 December 2002 and 2003	4,330,782,558	86,616

## Notes to the Financial Statements

Year Ended 31 December 2003

### 26. SHARE CAPITAL

#### Share option scheme

The Company has adopted a share option scheme on 18 July 2002 (the "Share Option Scheme"), for the primary purpose of providing incentives to eligible participants. Details of the Share Option Scheme is as follows:

On 18 July 2002, the Company adopted the Share Option Scheme which will expire on 17 July 2012. Pursuant to the terms of the Share Option Scheme, the Company may grant options to eligible participants (including directors, shareholders, eligible employees, suppliers and customers of the Company or its subsidiaries) to subscribe for shares in the Company at a consideration of HK\$1. The subscription price for the shares under the Share Option Scheme shall be a price determined by the directors of the Company being at least the higher of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, or the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant. Options granted are exercisable at any time during a period to be notified by the board of directors of the Company but limited to a maximum period of ten years after the date the options are granted. Options granted should be accepted within 28 days from the date of offer.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other scheme shall not exceed 10% of the shares in issue at the date on which the Share Option Scheme becomes unconditional (the "Scheme Limit").

The Scheme Limit may be refreshed at any time by the approval of the shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under Share Option Scheme and any other share option schemes must not exceed 10% of the shares in issue at the date of such shareholder's approval. For the avoidance of doubt, options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme and any other share option schemes of the Company or exercised options) will not be counted for the purpose of calculating the refreshed 10%.

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before shareholders' approval is sought.

## Notes to the Financial Statements

Year Ended 31 December 2003

### 26. SHARE CAPITAL (continued)

#### Share option scheme (continued)

Unless approved by the shareholders as set out herein, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any twelve month period must not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the twelve month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his associates abstaining from voting.

However, the overall limit on the number of shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

At the date of this report, no share option has been granted to any participant under the scheme.

### 27. RESERVES

#### The Group

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Special capital reserve (Note a) HK\$'000	Property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2002	68,252	1,074	68,541	5,495	(202,216)	(58,854)
Issue of share, net of expenses	103,777	-	-	-	-	103,777
Release upon disposal of subsidiaries	-	-	-	(5,495)	-	(5,495)
Net profit for the year	-	-	-	-	11,801	11,801
At 31 December 2002	172,029	1,074	68,541	-	(190,415)	51,229
Net profit for the year	-	-	-	-	34,089	34,089
At 31 December 2003	172,029	1,074	68,541	-	(156,326)	85,318

## Notes to the Financial Statements

Year Ended 31 December 2003

### 27. RESERVES (continued)

#### The Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Special capital reserve (Note a) HK\$'000	Contributed surplus (Note b) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2002	68,252	1,074	68,541	77,001	(262,073)	(47,205)
Issue of share, net of expenses	103,777	–	–	–	–	103,777
Release upon disposal of subsidiaries	–	–	–	(77,001)	77,001	–
Net loss for the year	–	–	–	–	(18,468)	(18,468)
At 31 December 2002	172,029	1,074	68,541	–	(203,540)	38,104
Net loss for the year	–	–	–	–	(11,121)	(11,121)
At 31 December 2003	172,029	1,074	68,541	–	(214,661)	26,983

Notes:

- (a) The special capital reserve of the Group and the Company represents the credit arising from the effect of reduction in share capital in the previous year.
- (b) The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the underlying net assets of subsidiaries which were acquired by the Company pursuant to a group recognition in the previous year.

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

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

All the contributed surplus has been transferred to the accumulated losses as a result of disposal of subsidiaries during the year 2002.

At 31 December 2003, the Company has no reserve available for distribution (2002: Nil).

## Notes to the Financial Statements

Year Ended 31 December 2003

### 28. ACQUISITION OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Net assets acquired		
Negative goodwill	(280)	–
Property, plant and equipment	3,387	–
Other investment	47,170	–
Properties for sale	384,665	–
Restricted cash	500	–
Bank balances and cash	204,942	–
Trade and other receivables	259,821	–
Bank loans – secured	(183,962)	–
Trade and other payables	(206,487)	–
Receipts in advance	(232,769)	–
Taxation	(28)	–
Deferred taxation	(14,532)	–
	<b>262,427</b>	–
Minority interests	(92,747)	–
Negative goodwill	(77,060)	–
Goodwill	748	–
	<b>93,368</b>	–
Net inflow of cash and cash equivalents in connection with the acquisition of subsidiaries:		
Cash consideration	(93,368)	–
Bank balances and cash acquired	204,942	–
	<b>111,574</b>	–

The subsidiaries acquired during the year ended 31 December 2003 contributed HK\$336,219,000 to the Group's turnover, and HK\$76,371,000 to the Group's profit from operations.

## Notes to the Financial Statements

Year Ended 31 December 2003

### 29. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2002 the Group disposed the subsidiaries which engaged in the Travel Business. The net assets of the subsidiaries at the date of disposal were as follows:

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of:		
Property, plant and equipment	–	2,444
Investment properties	–	2,100
Trade and other receivables	–	59,825
Bank balances and cash	–	16,932
Trade and other payables	–	(49,176)
Bank borrowings	–	(29,147)
Minority interests	–	(1,238)
Net assets	–	1,740
Property revaluation reserve released	–	(5,495)
Gain on disposal	–	11,755
	–	8,000
Total consideration		
Cash	–	500
Amounts due to related companies	–	7,500
	–	8,000
Net cash inflow arising on disposal:		
Cash consideration	–	500
Bank balances and cash disposed of	–	(16,932)
Bank borrowing disposed of	–	29,147
	–	12,715

The impact of the disposed subsidiaries on the Group's results for the year ended 31 December 2002 was disclosed under the heading of "discontinued operation" in the consolidated income statement.



## Notes to the Financial Statements

Year Ended 31 December 2003

### 30. RETIREMENT BENEFITS SCHEMES

The Group operates a mandatory provident fund (the "MPF") scheme for all eligible 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 benefit cost charged to the consolidated income statement represents contributions payable to the MPF scheme by the Group at rates specified in the rules of the MPF scheme.

The Group contributed to a local Municipal Government retirement scheme to all qualified employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to retirement scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The retirement benefit scheme contributions arising from the PRC Municipal Government retirement scheme charged to the income statement represent contributions paid or payable by the Group at rates specified in the rules of the scheme.

### 31. OPERATING LEASE COMMITMENTS

#### The Group and the Company as lessee

Minimum lease payments under operating lease of the Group recognised in the income statement during the year in respect of:

	The Group	
	2003 HK\$'000	2002 HK\$'000
Premises	661	2,957
Other assets	–	174
	<b>661</b>	<b>3,131</b>

## Notes to the Financial Statements

Year Ended 31 December 2003

### 31. OPERATING LEASE COMMITMENTS *(continued)*

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

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Operating leases which expire:				
Within one year	1,340	1,101	558	1,101
In the second to fifth year inclusive	522	63	129	63
	<b>1,862</b>	1,164	<b>687</b>	1,164

Operating lease payments in respect of rented premises represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of two years.

### 32. OTHER COMMITMENTS

At 31 December 2003, the Group had contracted commitments not provided for in the financial statements in respect of property development expenditure amounted to HK\$268,232,000 (2002: Nil).

The Company had no significant commitment at the balance sheet date.

## Notes to the Financial Statements

Year Ended 31 December 2003

### 33. CONNECTED AND RELATED PARTIES TRANSACTIONS AND BALANCES

- (a) On 29 September 2002, the Group entered into an agreement (“Share Purchase Agreement”) to purchase 65% interest in Shanghai Zendai Real Estate Company Limited. The agreement was made between the Group, the shareholders of Shanghai Zendai Real Estate Company Limited and 上海証大投資發展有限公司 (the “Vendors”) of which Mr. Dai Zhikang has a beneficial interest in the Company.

Pursuant to the Share Purchase Agreement, the Group has conditionally agreed to purchase 65% interest in Shanghai Zendai Real Estate Company Limited for a total consideration of RMB70,000,000 (equivalent to approximately HK\$66,848,000) from the Vendors. The transaction was completed in February 2003 and the registered capital of Shanghai Zendai Real Estate Company Limited is owned as to 65% by the Group.

- (b) Balance with related parties as at 31 December 2003 are set out in note 23 to the financial statements.

### 34. CONTINGENT LIABILITIES

The Group and the Company had no significant contingent liabilities or outstanding litigation as at 31 December 2003.

### 35. POST BALANCE SHEET EVENT

On 30 January 2004, the Company entered into a subscription agreement, pursuant to which an investor has agreed to subscribe for and the Company has agreed to allot and issue 300 million new shares at a subscription price of approximately HK\$0.1333 per subscription share. The net proceeds of the subscription of about HK\$39,700,000 are intended to be used as to approximately HK\$9,700,000 for working capital and as to approximately HK\$30,000,000 for funding potential investment projects in property related businesses as and when suitable opportunities arise.

## Notes to the Financial Statements

Year Ended 31 December 2003

### 36. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2003 are as follows:

Name of subsidiary	Place of incorporations/ establishment and operations	Issued share capital/paid-up registered capital	Proportion of nominal value of issued capital held by the Group		Principal activities
			Directly	Indirectly	
Best East Developments Limited	The British Virgin Islands	US\$1	100%	–	Investment holding
Ample Century Limited	The British Virgin Islands	US\$1	100%	–	Investment holding
Victory Gateway Limited	The British Virgin Islands	US\$1	100%	–	Investment holding
Myway Developments Limited	The British Virgin Islands	US\$1	100%	–	Investment holding
Shanghai Zendai Real Estate Company Limited (上海証大置業有限公司)	The PRC	RMB100,000,000	–	65%	Property development
上海証大高爾夫旅遊 度假村有限公司	The PRC	RMB20,000,000	–	91%	Not yet commence business
Wah Kong Travel Limited	Hong Kong	HK\$1,250,000	–	60%	Sales of air tickets and provision of travel related services

## Notes to the Financial Statements

Year Ended 31 December 2003

### 36. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporations/ establishment and operations	Issued share capital/paid-up registered capital	Proportion of nominal value of issued capital held by the Group		Principal activities
			Directly	Indirectly	
Wa Kong-Tourism and Travel Agency Limited	Macau	MOP1,000,000	-	60%	Sales of air tickets and provision of travel related services
上海証大藝中房地產 開發有限公司 (Note)	The PRC	RMB10,000,000	-	39%	Not yet commence business

Note: 上海証大藝中房地產開發有限公司 is a 60% subsidiary of Shanghai Zendai Real Estate Company Limited.

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

## Notes to the Financial Statements

Year Ended 31 December 2003

### 37. PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates as at 31 December 2003 are as follows:

Name of associate	Place of establishment and operations	Paid-up registered capital	Proportion of nominal value of issued capital indirectly held by the Group	Principal activities
上海証大三角洲置業有限公司	The PRC	RMB80,000,000	25%	Property development
浙江証大房地產開發有限公司 (Note)	The PRC	RMB30,000,000	17.5%	Property management and development

Note: 浙江証大房地產開發有限公司 is a 70% subsidiary of 上海証大三角洲置業有限公司.

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

None of the associates had any debt securities subsisting at the end of the year or at any time during the year.