(1) GENERAL

The Company is incorporated in Bermuda on 13 May, 1999 as an exempted company with limited liability under the Company Act 1981 of Bermuda (as amended) 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. Its subsidiaries are principally engaged in property development and investment.

(2) ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted the following revised Statement of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants:

SSAP 12 (Revised)	Income taxes

SSAP 12 (Revised) requires deferred tax assets and liabilities to be provided in full using the liability method, on temporary difference arising between the tax base of an asset or a liability and its carrying amount in the financial statements at any point in time. Deferred tax assets or liabilities arising from temporary differences need to be measured at the tax rates enacted or substantially enacted at the balance sheet date.

Details of the accounting policy are set out in note (3)(k) to the financial statements.

The adoption of the revised SSAP as outlined above does not have material impact on results reported in the current or prior year, though the terminology used and certain disclosures have been revised in line with the new requirements.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretation issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). They have been prepared under the historical cost convention, modified with respect to the measurement of investment properties, as explained in the respective accounting policies below. A summary of the significant accounting policies adopted by the Group is set out below:

(a) Basis of consolidation

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

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

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 intra-group transactions and balances, and any unrealised profits arising from intra-group transactions, are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are eliminated unless cost cannot be recovered.

(b) Subsidiaries

A subsidiary is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from the activities.

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

(c) Associates

An associate is an enterprise, not being a subsidiary nor a joint venture, in which the Group, directly or indirectly, has a long-term equity interest and over which the Group is in a position to exercise significant influence, including participation in the operating and financial policy decisions.

The consolidated income statement includes the Group's share of the results of associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Investment in a property development joint venture

Investment in a property development joint venture represents the consideration paid to a third party for acquiring the 5% interest of the income arising from a property development project which is operated by the Group. The investment is stated at cost, less provision for impairment in value, if necessary and the cost is amortised over the estimated economic life of the property development project.

(e) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their long term investment potential, any rental income being negotiated at arm's length. Such properties are stated in the balance sheet at their open market values which are assessed annually by qualified external valuers.

Changes in the value of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the consolidated income statement. Any subsequent revaluation surplus is credited to the consolidated income statement to the extent of the deficit previously charged. Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying amount over the remaining term of the lease. The gain or loss on disposal of an investment property, representing the difference between the net sale proceeds and the carrying amount of the relevant asset, is recognised in the consolidated income statement. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to the income statement.

(f) Properties held for development

Properties held for development are stated at cost, including land cost, construction cost, development expenditure and interest capitalised, less any impairment losses as are considered necessary by the directors. No depreciation is provided on properties held for development until they are completed and put into effective use.

(g) Properties held for sale

Properties held for sale are stated at the lower of cost and the estimated net realisable value. In the case of properties developed by the Group, cost is determined by apportionment of the total development costs attributable to unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of the property, plant and equipment.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives using the straight-line method. The annual rates used are as follows:

Leasehold land	Over the terms of the leases
Buildings	2.5% or over the lease term, whichever is shorter
Leasehold improvements	20% – $33\frac{1}{3}$%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

For depreciation purpose, cost of buildings is deemed to be 50% of the total cost of land and buildings.

The gain or loss on disposal or retirement of a property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

(i) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

– for acquisitions before 1 January, 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses; and

– for acquisitions on or after 1 January, 2001, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is capitalised at cost less any accumulated amortisation and any impairment losses.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Goodwill *(Continued)*

In respect of acquisitions of associates and jointly controlled entities, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimate useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses is included in the carrying amount of the interest in associates or jointly controlled entities.

Negative goodwill arising on acquisitions of controlled subsidiaries, associates and jointly controlled entities represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

– for acquisitions before 1 January, 2001, negative goodwill is credited to a capital reserve; and

– for acquisitions on or after 1 January, 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

In respect of any negative goodwill not yet recognised in the consolidated income statement:

– for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

– for associates and jointly controlled entities, such negative goodwill is included in the carrying amount of the interests in associates or jointly controlled entities.

On disposal of a controlled subsidiary, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets

At each balance sheet date, the Group and the Company assess whether there is any indication that property, plant and equipment, investments in subsidiaries, associates, a property development joint venture and positive goodwill have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of the net selling price and value in use of an asset. The net selling price is the amount that could be obtained from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

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, which is restricted to 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.

(k) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Income tax is recognised in the income statement except to the extent that it relate to items recognised directly in equity, in which case it is recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Income tax *(Continued)*

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(l) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with in the consolidated income statement.

The balance sheet of subsidiaries and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(m) Borrowing costs

Borrowing costs are expensed in the consolidated income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Provisions and contingencies

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(o) Revenue recognition

(i) Revenue arising from the properties held for sale is recognised upon the signing of the sale and purchase agreements or the issue of an occupation permit by the relevant government authorities, whichever is the later.

(ii) Interest income is accrued on a time proportion basis on the principal outstanding and the rates applicable.

(p) Operating leases

Lease where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases.

Payments made and receivable under operating leases are accounted for in the consolidated income statement on a straight-line basis over the periods of the respective leases.

(q) Related parties

Two 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.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with banks, and short-terms, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Employee retirement benefits

A mandatory provident fund scheme (MPF) was established under the MPF Ordinance in December 2000. Both the Group and staff are required to contribute 5% of the employees' relevant income (capped at HK$20,000 per month). Staff may elect to contribute more than the minimum as a voluntary contribution. The Group's contributions to this mandatory provident fund scheme are expensed as incurred.

The Group also contributes to employees pension schemes established by municipal government in respect of certain staff in Mainland China. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Segment reporting *(Continued)*

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

(4) TURNOVER

Turnover represents the aggregate of net amounts received and receivable for developed properties sold by the Group to outside customers and property rental income during the year, and is analysed as follows:

	2003	2002
	HK$'000	HK$'000
Sales of developed properties	**64,633**	68,875
Property rental	**4,323**	3,286
	68,956	72,161

No geographical analysis are presented for the year as substantially all the Group's turnover and contribution to results were derived from the business of property in the People's Republic of China (the "PRC").

(5) LOSS BEFORE TAXATION

	2003	2002
	HK$'000	HK$'000
Loss before taxation is arrived at after charging:		
Finance cost		
Interest on bank loans, overdrafts and other loans wholly repayable		
– Within five years	**4,916**	8,947
– Over five years	**1,793**	1,875
	6,709	10,822
Less: Amount capitalised in properties held for development	**–**	(4,847)
	6,709	5,975
Auditors' remuneration	**228**	291
Staff costs, including directors' remuneration as set out in note (6) below:		
– Contributions to defined contribution retirement plans	**177**	218
– Salaries and other staff costs	**4,322**	3,929
Depreciation	**1,231**	1,164
Amortisation on investment in a property development joint venture	**2,160**	2,160
Cost of properties held for sale sold	**38,646**	46,850
Minimum lease payments on properties under operating leases	**483**	752
Net exchange losses	**–**	896
Deficit on revaluation of investment properties	**–**	926
Write-down on properties held for sale	**–**	382
and after crediting:		
Gross rental income from investment properties *(Note)*	**4,323**	3,286
Write-back of deficit on revaluation of investment properties previously charged	**1,986**	–
Interest income	**284**	985
Net exchange gains	**365**	–

Note: The outgoings related to the gross rents from investment properties for each of the two years ended 31 December, 2003 and 2002 are negligible.

(6) DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2003 HK$'000	2002 HK$'000
Directors' emoluments:		
Fees		
Executive directors	–	–
Independent non-executive directors	–	–
	–	–
Other emoluments (executive directors):		
Salaries	1,185	1,212
Other benefits	70	–
Provident fund contributions	34	34
	1,289	1,246
	1,289	1,246

The emoluments were paid to the directors as follows:

	Number of directors 2003	2002
HK$Nil to HK$1,000,000	6	6

Individuals with highest emoluments

During the year, the five highest paid individuals included three (2002: three) directors, details of whose emoluments are set out above. The emoluments of the remaining two (2002: two) highest paid individual were as follows:

	2003 HK$'000	2002 HK$'000
Salaries and other benefits	794	677
Provident fund contributions	22	14
	816	691

(7) TAXATION

	2003	2002
	HK$'000	HK$'000
Subsidiaries		
Income tax in the PRC other than Hong Kong		
– Enterprises	**615**	322
– Property development projects	**117**	–
	732	322
Associate		
Income tax in the PRC other than Hong Kong	**1**	61
	733	383

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's income neither arises in, nor is derived from, Hong Kong in both years.

PRC income tax for enterprises is calculated at 15% of the estimated assessable profit for the year (2002: 15%).

PRC income tax for property development projects is calculated at 1% of the gross amounts received and receivable for developed properties sold pursuant to several tax co-ordination agreements singed between the Group and their co-operative partner.

No deferred tax is provided as the deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases were insignificant.

(8) LOSS ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's net loss for the year, a loss of HK$1,287,000 (2002: HK$4,336,000) has been dealt with in the financial statements of the Company.

(9) DIVIDENDS

The directors do not recommend the payment of a dividend for the year.

(10) LOSS PER SHARE

The calculation of loss per share is based on the loss for the year of HK$66,851,000 (2002: HK$5,434,000) and on the weighted average number of 2,046,650,000 (2002: 1,795,492,000) shares issued during the year.

No diluted loss per share has been presented as the exercise of the Company's options does not have any material dilution effect.

(11) INVESTMENT PROPERTIES

	The Group
	HK$'000
At 1/1/2003	25,787
Transfer from properties held for sale	14,944
Surplus on revaluation	1,667
At 31/12/2003	42,398

Investment properties were revalued at 31 December, 2003 by Sallmanns (Far East) Limited, an independent professional valuer, on an open market value basis. This valuation gave rise to a revaluation surplus of approximately HK$1,667,000 which has been accounted for in the investment property revaluation reserve. In the year 2002, a revaluation deficit of approximately HK$2,826,000 of which HK$1,900,000 and HK$926,000 have been charged to the investment property revaluation reserve and the consolidated income statement respectively.

Investment properties having a carrying amount of HK$20,849,000 (2002: HK$4,238,000) are in the process of obtaining the land and realty title certificates.

All the Group's investment properties are situated outside Hong Kong and are held on long leases.

(12) PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and buildings	Furnitures, fixtures and office equipment	Leasehold improve-ments	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
A 1/1/2003	33,864	2,799	562	2,313	39,538
Additions	–	113	–	41	154
At 31/12/2003	33,864	2,912	562	2,354	39,692
Accumulated depreciation					
At 1/1/2003	2,880	2,410	454	1,888	7,632
Charge for the year	737	188	100	206	1,231
At 31/12/2003	3,617	2,598	554	2,094	8,863
Carrying amount					
At 31/12/2003	30,247	314	8	260	30,829
At 31/12/2002	30,984	389	108	425	31,906

The Group

The carrying amount of land and buildings shown above comprises:

	2003	2002
	HK$'000	HK$'000
Land and buildings situated in Hong Kong and held on long leases	**5,626**	5,727
Land and buildings situated outside Hong Kong and held on long leases	**24,621**	25,257
	30,247	30,984

(13) INVESTMENTS IN SUBSIDIARIES

	The Company	
	2003	2002
	HK$'000	HK$'000
Unlisted shares, at cost	**159,056**	159,056

The carrying amount of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the group reorganisation in 1999.

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

Name of subsidiary	Place/country of incorporation (or establishment)/ operation	Proportion of nominal value of issued capital/ registered capital held by the Company Directly 2003	Directly 2002	Indirectly 2003	Indirectly 2002	Issued and fully paid share capital/ registered capital	Principal activities
Grand Field Group Holdings (BVI) Limited	British Virgin Islands/Hong Kong	**100%**	100%	**–**	–	US$1	Investment holding
Grand Field Group Investments (BVI) Limited	British Virgin Islands/Hong Kong	**100%**	100%	**–**	–	US$1	Investment holding
Grand Field Group Limited	Hong Kong	**–**	–	**100%**	100%	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	Investment holding and property development
Grand Field Property Development (Shenzhen) Company Limited *(Note 1)*	PRC	**–**	–	**100%**	100%	RMB19,232,100	Property development

(13) INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/country of incorporation (or establishment)/ operation	Proportion of nominal value of issued capital/ registered capital held by the Company Directly 2003	2002	Indirectly 2003	2002	Issued and fully paid share capital/ registered capital	Principal activities
Ka Fong Industrial Company, Limited	Hong Kong/PRC	**–**	–	**100%**	100%	Ordinary shares of HK$200 and non-voting deferred shares of HK$200,000	Property development
Kwan Cheung Holdings Limited	Hong Kong/PRC	**–**	–	**100%**	100%	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	Property development
Shing Fat Hong Limited	Hong Kong/PRC	**–**	–	**100%**	100%	Ordinary shares of HK$4 and non-voting deferred shares of HK$2	Property development
Chinese Medicine And Technologies Company Limited	Hong Kong	**–**	–	**100%**	100%	Ordinary shares of HK$2	Inactive
Grand Field New Energy Company Limited	Hong Kong	**–**	–	**100%**	100%	Ordinary shares of HK$2	Property holding
Chintex Gas Company Limited *(Note 2)*	Hong Kong	**–**	–	**–**	100%	Ordinary shares of HK$103,700,000	Investment holding
Sino Richest Limited ("Sino Richest") *(Note 2)*	Hong Kong	**–**	–	**–**	75%	Ordinary shares of HK$10,000	Investment holding
重慶市溢億萬盛燃氣有限公司（「溢億萬盛」）*(Note 2)*	PRC	**–**	–	**–**	60%	HK$30,000,000	Inactive

(13) INVESTMENTS IN SUBSIDIARIES *(Continued)*

Notes:

1) Grand Field Property Development (Shenzhen) Company Limited is a wholly foreign owned enterprise established in the PRC for a term of 24 years up to 2019.

2) Chintex Gas Company Limited, together with its interest in Sino Richest and 溢億萬盛, was disposed during the financial year. Details of the disposal are set out in note 27 to the financial statements.

(14) INTEREST IN AN ASSOCIATE

	The Group	
	2003	2002
	HK$'000	HK$'000
Share of net assets other than goodwill	**513**	510
Goodwill on acquisition of an associate, net of amortisation and impairment	**–**	23,738
Amount due from an associate	**–**	1,732
	513	25,980
Investments in unlisted shares, at cost	**189**	28,302

The amount was unsecured, interest free and not repayable within one year.

Details of the Group's associate as at 31 December, 2003 are as follows:

Name of entity	Form of business structure	Country of registration and operation	Registered capital	Proportion of nominal value of registered capital held by the Group	Principal activities
Bengbu International Travel Service Company Limited (the "Travel Agent")	Incorporated	PRC	RMB1,500,000	26.5%	Travel agent

(15) GOODWILL

	2003	2002
	HK$'000	HK$'000
Cost		
At 1/1	**63,006**	–
Goodwill arising on acquisition of a subsidiary	**–**	63,006
Goodwill written off upon disposal of a subsidiary	**(63,006)**	–
At 31/12	**–**	63,006

The amortisation period adopted for goodwill is 10 years.

(16) LOANS RECEIVABLE

	The Group	
	2003	2002
	HK$'000	HK$'000
Total loans receivable, secured	**41,345**	45,305
Less: Portion receivable within one year included under current assets	**(17,245)**	(16,215)
Portion receivable after one year	**24,100**	29,090

Loans receivable represent interest-free instalments payable by the buyers of the developed properties of the Group.

(17) INVESTMENT IN A PROPERTY DEVELOPMENT JOINT VENTURE

	The Group
	HK$'000
Cost	
At 1/1/2003 and 31/12/2003	21,600
Amortisation	
At 1/1/2003	5,400
Charge for the year	2,160
At 31/12/2003	7,560
Carrying amount	
At 31/12/2003	14,040
At 31/12/2002	16,200

(18) PLEDGED BANK DEPOSITS

Bank deposits of HK$5,472,000 have been pledged as security for mortgage loans made available from banks to the buyers of the Group's properties. In the year 2002, bank deposits of HK$11,768,000 have been pledged as security for mortgage loans made available from banks to the buyers of the Group's properties and for general banking facilities granted to the Group.

(19) PROPERTIES HELD FOR DEVELOPMENT

Pursuant to the contracts for development of various projects in the PRC having a carrying amount of HK$13,377,000 (2002: HK$13,092,000) entered into between the Group and a co-operative partner, the co-operative partner is responsible for making available the project sites while the Group is responsible for, at is own cost, the construction of the properties. The certificates for state-owned land use rights granted for the land were registered in the name of the co-operative partner. Pursuant to those contracts for development, the Group is entitled to apply for land and realty title certificates for each separate unit in the name of the Group upon completion of development.

Included in properties held for development is net interest capitalised of HK$4,986,000 (2002: HK$4,986,000) at a capitalisation rate of 9.5% (2002: 9.5%).

(20) PROPERTIES HELD FOR SALE

At 31 December, 2003, the properties held for sale were situated outside Hong Kong and were held on long leases.

Land and realty title certificates for properties held for sale of HK$37,344,000 (2002: HK$62,314,000) were under application.

The certificates for state-owned land use rights granted for the land on which the aforesaid properties situated were registered in the name of a co-operative partner. Upon completion of development, the respective certificates for state-owned land use rights are required to be deposited with the relevant authorities for custody in exchange for the issue of land and realty title certificates for each separate unit.

(21) INTEREST-BEARING BORROWINGS

	2003	2002
	HK$'000	HK$'000
Bank loans, secured	**47,830**	85,394
Portion classified as current liabilities	**(47,830)**	(85,394)
Non-current portion	**–**	–
Other loans, unsecured and wholly repayable		
– On demand or within one year	**2,235**	2,349
– Between one and two years	**2,235**	2,235
– Between two and five years	**4,470**	7,262
– After five years	**3,526**	5,836
	12,466	17,682
Portion classified as current liabilities	**(2,235)**	(2,349)
Non-current portion	**10,231**	15,333
Total shown as non-current liabilities	**10,231**	15,333

	2003	2002
	HK$'000	HK$'000
Current portion of long-term interest-bearing borrowings:		
– Bank loans, secured	**47,830**	85,394
– Other loans	**2,235**	2,349
	50,065	87,743
Short-term interest-bearing borrowings:		
– Bank overdrafts, secured	**4,209**	–
Total shown as current liabilities	**54,274**	87,743

(22) TRADE PAYABLES, DEPOSITS AND ACCRUALS

Included in trade payables, deposits and accruals are trade creditors with the following ageing analysis:

	2003	2002
	HK$'000	HK$'000
Current to 90 days	**10,355**	741
91 to 180 days	**7,777**	62
181 to 360 days	**7,940**	26
Over 360 days	**102**	8,345
	26,174	9,174

(23) AMOUNT DUE TO A DIRECTOR

The amount due is unsecured, interest-free and there is no fixed term of repayment.

(24) SHARE CAPITAL

	2003		2002	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised (ordinary shares of HK$0.02 each)				
At 1/1 and 31/12	**5,000,000**	**100,000**	5,000,000	100,000
Issued and fully paid (ordinary shares of HK$0.02 each)				
At 1/1	**2,046,650**	**40,933**	1,464,500	29,290
Exercise of share options	**–**	**–**	7,150	143
Placement of shares	**–**	**–**	575,000	11,500
At 31/12	**2,046,650**	**40,933**	2,046,650	40,933

(25) SHARE OPTIONS

Pursuant to the Company's share option scheme which became effective on 4 August, 1999, the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the higher of 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of the grant of the options and the nominal value of the shares.

The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the share option scheme.

The summary of movements in share options of certain directors and employees of the Group under the share option scheme was as follows:

			Number of share options			
Date of grant	**Exercise price** HK$	**Exercise period**	**Outstanding at 1/1/2003**	**Granted during the year**	**Lapsed during the year**	**Outstanding at 31/12/2003**
25 January, 2000	0.1824	25/1/2000 to 24/1/2003	2,750,000	–	(2,750,000)	–
16 August, 2000	0.2002	16/8/2000 to 16/8/2003	18,800,000	–	(18,800,000)	–
29 October, 2001	0.0839	1/11/2001 to 28/10/2004	14,650,000	–	–	14,650,000
30 January, 2002	0.1581	4/2/2002 to 29/1/2005	22,950,000	–	–	22,950,000
25 November, 2003	0.0650	25/11/2003 to 24/11/2006	–	79,050,000	–	79,050,000
			59,150,000	79,050,000	(21,550,000)	116,650,000

(26) WARRANTS

On 15 March, 2002, the Group granted and issued to Mr. Tsang Wai Lun, Wayland, Madam Kwok Wai Man, Nancy and Mr. Lau Tam Wah a total of 153,160,000 warrants to subscribe for new shares at the initial subscription price of HK$0.435 per new share (subject to adjustment), exercisable only during the period from 14 September, 2004 to 13 March, 2005 (both days inclusive). The total subscription consideration is approximately HK$66.6 million.

(27) DISPOSAL OF SUBSIDIARIES

The details of the disposal of Chintex Gas Company Limited and its subsidiaries at the date of disposal were as follows:

	2003	2002
	HK$'000	HK$'000
Net assets disposed of:		
Cash and bank balances	**4**	–
Other creditors and accruals	**(12)**	(1)
Amount due to a shareholder	**(72,060)**	–
Net identifiable assets and liabilities	**(72,068)**	(1)
Goodwill	**63,006**	–
Goodwill reserves	**9,846**	(675)
	784	(676)
(Loss)/Gain on disposal of subsidiaries	**(41,027)**	676
	(40,243)	–
Total consideration paid for the disposal, satisfied by:		
Net amount of loan assigned to the purchaser	**40,060**	–
Cash of the subsidiary disposed	**(4)**	–
Net cash outflow in respect of disposal of a subsidiary	**(187)**	–

The subsidiary disposed during the year has no contribution to Group's turnover and profit before taxation for the year.

Loss on disposal of subsidiaries of year 2003 included a reversal of goodwill reserves of HK$9,846,000 approximately and others of HK$31,181,000 approximately.

(28) CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December, 2003 not provided for in the financial statements were as follows:

	2003	2002
	HK$'000	HK$'000
Capital expenditure in respect of property development projects:		
Contracted but not provided for	**40,918**	45,484
Authorised but not contracted for	**8,083**	8,083
	49,001	53,567
Capital expenditure in respect of capital contribution to a PRC subsidiary:		
Contracted but not provided for	**–**	24,000
	49,001	77,567

(29) OPERATING LEASE COMMITMENTS

(a) The Group as lessee

At 31 December, 2003, the Group had total future minimum lease payments in respect of land and buildings under a non-cancellable operating lease, as follows:

	2003	2002
	HK$'000	HK$'000
Within one year	**223**	365
In the second to fifth years inclusive	**186**	–
	409	365

(b) The Group as lessor

At 31 December, 2003, the Group had contracted with its tenants for the following total future minimum lease payments in respect of investment properties under non-cancellable operating leases:

	2003	2002
	HK$'000	HK$'000
Within one year	**4,991**	2,136
In the second to fifth years inclusive	**9,592**	10
Over five years	**13,803**	–
	28,386	2,146

(30) ASSETS PLEDGED

Land and buildings, investment properties and properties held for sales of the Group with carrying amounts of approximately HK$5,172,000 (2002: HK$5,172,000), HK$16,341,000 (2002: HK$23,623,000) and HK$8,907,000 (2002: HK$26,125,000) respectively have been pledged to banks to secure banking facilities granted to the Group.

Land and buildings, investment properties and properties under development for sale of the Group with carrying amounts of approximately HK$424,000 (2002: HK$424,000), HK$1,888,000 (2002: HK$1,346,000) and HK$32,299,000 (2002: HK$31,630,000) respectively have been pledged to banks to secure banking facilities of RMB40,000,000 (2002: RMB44,230,000) granted to a third party.

(31) CONTINGENT LIABILITIES

The Company has given corporate guarantees to a bank in respect of fully utilized general banking facilities granted to a subsidiary amounting to HK$4,000,000 (2002: HK$4,000,000).

(32) RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

The retirement benefits cost charged to consolidated income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

(33) RELATED PARTY DISCLOSURES

During the year, the Group had the following related party transactions which were carried out in the normal course of its business:

Name of related parties	**Nature of related party relationship**	**Nature of transactions**	**Amount received 2003 HK$'000**	2002 HK$'000
Grand Field International Travel Company Limited	Related company	Sub-rent income	**90**	98

(34) COMPARATIVE FIGURES

With a review of financial statements' presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform to the current year's presentation.