

Notes to the Financial Statements

for the year ended 31 December 2003

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability on 8 April 1994 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 principal activities of its subsidiaries are set out in Note 15 to the financial statements.

The Directors consider the Company's ultimate holding company to be Ko Bee Limited, which is incorporated in the British Virgin Islands with limited liability.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements on pages 25 to 86 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Society of Accountants. The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties as set out in note 2(g) to the financial statements.

The financial statements have been prepared on the going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group had net current liabilities of approximately HK\$345 million as at 31 December 2003. Of this amount approximately HK\$343 million relates to the current portion of certain secured bank loans, which are repayable within the next twelve months. The directors have been actively negotiating the renewal of these loans with bankers to obtain better terms and interest rates than the Group is currently paying. Although the final legal documentation and detailed terms have not been finalised and agreed, based on discussions to date the directors are confident these loans will be renewed, and on more favourable terms. The directors optimism is based on the fact that the group made a profit of approximately HK\$61,806,000 in the current year (2002: loss of approximately HK\$411,771,000), had net assets of approximately HK\$922 million, and had a revaluation surplus on its investment properties of approximately HK\$524 million during the year. In addition, a related party extended a revolving loan facility of HK\$50 million to the Group during the year, of which approximately HK\$18 million was utilised at the balance sheet date. This was subsequently fully repaid after the balance sheet date.

In light of the above, the directors believe the Group will be able to meet its obligations in full as they fall due for the foreseeable future provided that the Group continues to enjoy the support of its bankers, its related party and its ultimate holding company.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

Adoption of revised SSAP

In the current year, the Group has adopted SSAP 12 (Revised) "Income taxes". 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 timing differences were not expected to reverse in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. 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. However, the adoption of SSAP 12 (Revised) has not resulted in any significant change to the current and prior year's net assets and results and accordingly, no prior year adjustment is required.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. All material inter-company transactions and balances within the Group are eliminated on consolidation. The financial statements also include the Group's share of post-acquisition results and reserves of its associates.

Notes to the Financial Statements

for the year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) *Goodwill*

Positive goodwill arising on acquisition represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of acquisition of subsidiaries, positive goodwill is amortised to the consolidated income statement on a straight line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less accumulated amortisation and impairment losses.

In respect of acquisition of associates, positive goodwill is amortised to the consolidated income statement on a straight line basis over its estimated useful life. The cost of positive goodwill less accumulated amortisation and impairment is included in the carrying amount of the interest in associates.

Negative goodwill represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of acquisition. 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 as income on a systematic basis over the remaining weighted average useful life of those acquired depreciable/amortisable assets. Negative goodwill in excess of the fair value 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 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, such negative goodwill is included in the carrying amount of the interests in associates.

(d) *Subsidiaries*

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Subsidiaries are carried at cost less impairment losses.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Associates

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

The results of the associates are accounted for by the Group using the equity method of accounting. The Group's investments in associates are stated at its share of net assets.

An assessment of investment in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates except where unrealised losses provide evidence of an impairment of the asset transferred.

(f) Property, plant and equipment

(i) Depreciation and amortisation

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:

Buildings	2% or over the relevant lease terms, if shorter
Leasehold improvements	30%
Furniture, fixtures and equipment	10%–20%
Motor vehicles	6%–15%

Leasehold land is amortised over the remaining unexpired period of the lease.

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

Notes to the Financial Statements

for the year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment (Continued)

(ii) *Measurement bases*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement.

(g) Properties

(i) *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 investment potential.

Investment properties held on leases with unexpired periods longer than 20 years are carried at valuation and are valued annually by professionally qualified executives of the Group and at least every three years by external valuers holding professional qualifications. The valuations are on an open market value basis related to individual properties and are incorporated in the annual financial statements. Increases in valuation are credited to the investment properties revaluation reserve; decreases are first offset against increases on earlier valuations on a portfolio basis and thereafter are charged to operating profit. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease previously recognised as an expense.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining period of the lease.

Upon disposal, the revaluation surpluses or deficits relating to the investment properties disposed of are released from the investment property revaluation reserve and charged to the income statement.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Properties (Continued)

(ii) *Properties held for or under development*

Properties held for or under development with the intention for holding for long-term purposes when completed or where no decision has yet been made on their purposes are included in the balance sheet as non-current assets and stated at cost, less provision for impairment loss. Cost comprises the cost of acquisition of such properties, together with development expenditure, other relevant direct costs and borrowing costs capitalised in accordance with the Group's accounting policy.

No depreciation is provided on properties which are held for or under development.

(iii) *Properties for sale*

Properties for sale are stated at the lower of cost and net realisable value. Cost includes land cost, development cost and other direct costs attributable to the properties concerned until they reach a marketable state. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and the estimated costs necessary to make the sale.

(h) Intangible assets

(i) *Measurement basis*

Intangible assets representing urban infrastructure development rights are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(ii) *Subsequent expenditure*

Subsequent expenditure on capitalised intangible assets are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iii) *Amortisation*

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is amortised from the date of initial recognition. Other intangible assets are amortised from the date the asset is available for use. The estimated useful lives are as follows:

Goodwill	20 years
Urban infrastructure development rights	20 years

Notes to the Financial Statements

for the year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Leases

Finance leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the asset to the Group. Assets acquired by way of finance leases are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the lease. The corresponding liabilities net of finance charges, are recorded as obligations under finance leases. Finance charges implicit in the lease payments are charged to the income statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials computed using the weighted average method and where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the actual or estimated selling price less all further costs of completion and the estimated costs necessary to make the sale.

(k) Other investments

Other investments are intended to be held on a continuing basis for an identified long-term purpose and are stated in the balance sheet at cost less any provisions for impairment losses. Provisions are made when the fair value of such securities has declined below the carrying amounts, unless there is evidence that the decline is temporary. The amount of the reduction is recognised as an expense in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at that date. Gains and losses arising on exchange are dealt with in the income statement.

The balance sheets of subsidiaries and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date and the income statements are translated at an average rate for the year. Gains and losses arising on exchange are dealt with as movements in reserve.

(m) Income tax

Income tax for the year comprises current and deferred taxes.

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

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 differences 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, 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. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted. 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.

Notes to the Financial Statements

for the year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Cash and cash equivalents

Cash comprises cash on hand and demand deposits repayable on demand with any bank or other financial institution. Cash includes deposits denominated in foreign currencies.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. 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.

(o) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the relevant asset is carried at revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Impairment (Continued)

(ii) Reversals of impairment (Continued)

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is certain.

(q) Employee benefits

(i) Employee entitlements

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Notes to the Financial Statements

for the year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Employee benefits (Continued)

(ii) *Pension obligations*

The Group contributes to defined contribution retirement benefits schemes which are available to all employees. Contributions to the schemes by the company and employees are calculated as a percentage of employees' basic salaries. The retirement benefits scheme cost charged to the income statement represents contributions payable by the Group to the schemes.

The assets of the schemes are held separately from those of the Group in independently administered funds.

(r) Revenue recognition

Income arising from sale of properties is recognised upon completion of the sale and when title to the property passes to the buyer.

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease terms. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Income from management services, property repair and maintenance services are recognised in the period when the respective services are rendered.

Revenue from urban infrastructure projects, such as the construction works for telecommunication pipelines, are recognised on a completed contract basis. Completion is determined based on certification by independent third party quantity surveyors.

Interest income is recognised on a time proportion basis on the principal outstanding and at the interest rate applicable.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) Borrowing costs

Costs incurred on borrowings that are directly attributable to the development of properties are capitalised as part of the cost of properties up to the completion of their development. Any other borrowing costs are charged to the income statement in the period in which they are incurred.

(t) 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.

(u) 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 with 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 determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

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. 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 companies within a single segment, inter-segment pricing is based on similar terms as those available to other internal 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 financial expenses.

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3. TURNOVER

	2003 HK\$'000	2002 HK\$'000
Turnover represents:		
Property rental income	80,468	80,871
Revenue from urban infrastructure	23,341	—
Proceeds from sale of properties	1,000	8,549
Building management service income	4,022	3,817
Property repair and maintenance service income	4,489	24,633
Mortgage interest income	660	833
Signage rental	9,523	9,913
Office facilities and service income	1,100	794
	124,603	129,410

4. SEGMENTAL INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format, with each segment organised and managed separately.

Business segments

Property development	:	Property development and sale of properties
Property leasing	:	Property rental including signage rental
Building management and other services	:	Providing property management, repair and maintenance services
Urban infrastructure	:	Urban infrastructure development

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for the year ended 31 December 2003

4. SEGMENTAL INFORMATION (Continued)

The following table presents revenue and results information for the year ended 31 December 2003 and certain asset and liability information as at 31 December 2003 for the Group's business segments:

	Property development		Property leasing		Building Management Services		Urban infrastructure		Others		Elimination		Total	
	2003	2002	2003	2002	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	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue														
External customers	1,000	8,549	91,091	91,578	8,511	28,450	23,341	—	660	833	—	—	124,603	129,410
Inter-segments	3,560	—	3,278	3,788	—	—	—	—	—	14,038	(6,838)	(17,826)	—	—
	4,560	8,549	94,369	95,366	8,511	28,450	23,341	—	660	14,871	(6,838)	(17,826)	124,603	129,410
Segment results	(751)	(202,089)	85,988	83,213	5,204	7,159	552	—	44,146	(229,786)	—	—	135,139	(341,503)
Inter-segment transactions	—	—	1,288	3,280	—	—	—	—	(1,288)	(3,280)	—	—	—	—
Contribution from operations	(751)	(202,089)	87,276	86,493	5,204	7,159	552	—	42,858	(233,066)	—	—	135,139	(341,503)
Unallocated income and expenses													(18,500)	18,121
Profit/(Loss) from operations													116,639	(323,382)
Finance costs													(54,658)	(95,713)
Gain on deemed disposal of interest in a subsidiary													—	4,712
Share of profits less losses of associates													(4)	4
Taxation													510	(226)
Minority interest													(681)	2,834
Net profit/(loss) for the year													61,806	(411,771)
Segment assets	25,199	38,839	2,253,920	1,719,747	4,599	5,725	55,420	—	30,305	34,419			2,369,443	1,798,730
Interests in associates													2,937	2,948
Total assets													2,372,380	1,801,678
Segment liabilities	433	871	40,535	45,925	8,061	8,034	22,704	—	11,859	20,587			83,592	75,417
Unallocated liabilities													1,356,700	1,399,928
Total liabilities													1,440,292	1,475,345

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4. SEGMENTAL INFORMATION (Continued)

Other segment information extracted from the income statement and balance sheet.

	Property development		Property leasing		Building Management Services		Urban infrastructure		Others		Total	
	2003	2002	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	HK\$'000	HK\$'000
Capital expenditure	—	—	2,259	12,700	7	4	1,153	—	48	821	3,467	13,525
Depreciation	—	—	793	787	25	25	121	—	254	1,076	1,193	1,888
Amortisation of goodwill	—	—	—	—	—	—	73	—	—	14,921	73	14,921
Amortisation of intangible assets	—	—	—	—	—	—	134	—	—	—	134	—
Provision of doubtful debts	—	—	943	—	—	—	—	—	—	32,790	943	32,790
Provision for inventories	—	—	—	—	—	—	—	—	—	24,612	—	24,612
Provision for properties	—	1,590	—	—	—	—	—	—	—	—	—	1,590
Impairment loss on goodwill	—	—	5,566	—	—	—	—	—	—	137,451	5,566	137,451

Geographical segments

Revenue by market: the following table shows the distribution of the Company's consolidated revenue by geographical market:

	Sales revenue by geographical market	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong	101,262	129,410
Other parts of the People's Republic of China ("PRC")	23,341	—
	124,603	129,410

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4. SEGMENTAL INFORMATION (Continued)

Geographical segments (Continued)

Assets and additions to property, plant, equipment, and intangible assets by geographical area: the following tables show the carrying amount of segment assets and additions to property, plant, equipment, and intangible assets by geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant, equipment, and intangible assets	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	2,314,023	1,795,716	2,313	13,525
Other parts of the PRC	55,420	3,014	1,154	—
	2,369,443	1,798,730	3,467	13,525

5. OTHER REVENUE

	2003	2002
	HK\$'000	HK\$'000
Interest income	27	762
Miscellaneous income	4,944	1,443
Forfeited deposit written back	—	12,729
Interest claimed on forfeited deposit	—	16,500
Write back of overprovision of doubtful debts	295	—
Waiver of interest on other borrowings by ultimate holding company	46,064	—
	51,330	31,434

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6. PROFIT/(LOSS) FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit/(Loss) from operations is arrived at after charging:		
Amortisation of goodwill	73	14,921
Amortisation of intangible assets	134	—
Impairment loss on goodwill	5,566	137,451
Auditors' remuneration	716	593
Depreciation	1,193	1,888
Cost of inventories recognised as expenses	14,274	—
Cost of properties sold	1,626	8,723
Loss on disposal of a subsidiary	203	—
Operating lease charges in respect of office premises	1,249	—
Provision for diminution in value of properties for sale, held for and under development	—	1,590
Provision for impairment loss of property, plant and equipment	—	5,388
Provision for inventories	—	24,612
Provision for doubtful debts	943	32,790
Staff costs (excluding directors' remuneration)	10,663	11,335
Amount recognised as expenses for defined contribution plan	364	416
Reversal of investment property revaluation deficit	—	200,075
and crediting:		
Gross rental income from investment properties	77,572	76,808
Less: Outgoings	(2,346)	(3,488)
	75,226	73,320
Other rental income from other properties less outgoings	2,446	4,008
	77,672	77,328

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7. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on bank loans and other borrowings wholly repayable within five years	54,618	66,360
Interest on other borrowings wholly repayable after five years	—	20,489
Provision for charges arising from unexercised warrants issued to bankers in connection with Debt Restructure Agreement	—	8,813
Finance charges on obligations under finance leases	40	51
Total borrowing costs	54,658	95,713

8. TAXATION

The charge comprises:

	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax		
Current year	19	226
Over provision in respect of prior years	(529)	—
Total income tax (credit)/expense	(510)	226

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8. TAXATION (Continued)

Reconciliation between tax expense and accounting profit at applicable tax rates is as follows:

	2003 HK\$'000	2002 HK\$'000
Profit/(Loss) before taxation	61,977	(414,379)
Tax on profit/(Loss) before tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	10,846	(66,301)
Effect of different taxation rates in other countries	(748)	1,480
Tax effect on non-deductible expenses	1,175	49,326
Tax effect on non-taxable revenue	(3,364)	(2,702)
Tax effect of prior year's tax losses not recognised in prior year but utilised this year	(7,890)	—
Unrecognised tax losses	—	18,423
Over provision in prior years	(529)	—
Total taxation	(510)	226

In March 2003, the Hong Kong government announced an increase in the profits tax rate applicable to the group's operations in Hong Kong from 16% to 17.5%. This increase has been taken into account in the preparation of the Group's 2003 financial statements.

The Group's subsidiaries established and operating in the PRC are exempt from PRC enterprise income tax for the first two profitable years of operations, and thereafter, are eligible for a 50% relief from PRC enterprise income tax for the following three years under the Income Tax Law of the PRC. For the year ended 31 December 2003, no provision for PRC enterprise income tax has been made as the Group's PRC subsidiaries were still within the tax exemption period as described above.

Notes to the Financial Statements

for the year ended 31 December 2003

9. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Of the consolidated profit attributable to shareholders of HK\$61,806,000 (2002: Loss of HK\$411,771,000), a profit of HK\$32,482,000 (2002: Loss of HK\$167,263,000) has been dealt with in the financial statements of the Company.

10. DIVIDEND

	2003 HK\$'000	2002 HK\$'000
Proposed final dividend of HK\$0.02 per share	2,025	—

Final dividend of HK\$0.02 (2002: Nil) per share for the year to shareholders whose names appear on the register of members on 31 May 2004 (the "Record Date") was proposed by the Directors on 21 April 2004.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share are based on current year's profit attributable to shareholders for the year of HK\$61,806,000 (2002: Loss of HK\$411,771,000).

(a) Basic earnings/(loss) per share

The basic earnings/(loss) per share is based on the weighted average of 62,942,243 shares (2002: 62,328,043 shares, restated) in issue during the year.

On 4 April 2003, every 50 issued shares of the Company was consolidated into 1 issued share (the "Issued Share Consolidation") and the deemed weighted average number of shares for the year ended 31 December 2002, as if the Issued Share Consolidation had occurred on 1 January 2002, was 62,328,043 (3,116,402,151 before restatement) shares.

Notes to the Financial Statements

for the year ended 31 December 2003

11. EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted earnings/(loss) per share

The diluted earnings per share for the year is based on 62,964,997 shares which is the weighted average number of shares in issue during the year plus the weighted average of 22,754 shares deemed to be issued if all the outstanding potential ordinary shares representing 820,000 share options granted with an exercise price of HK\$1.50 per share were exercised.

No diluted loss per share has been calculated for the corresponding year ended 31 December 2002 because the conversion/exercise of the outstanding potential ordinary shares would have been anti-dilutive for the year.

12. INVESTMENT PROPERTIES

	2003	2002
	HK\$'000	HK\$'000
Valuation		
As at 1 January 2003	1,692,594	1,980,278
Transfer from properties held for sale	13,560	—
Transfer from properties held for development (note 14)	12,000	—
Additions	1,750	12,416
Disposals	(1,000)	(300,100)
Surplus arising on revaluation	524,486	—
As at 31 December 2003	2,243,390	1,692,594

All investment properties are situated in Hong Kong and held under long-term leases.

The investment properties of the Group were revalued at 31 December 2003 by an independent professional valuer, B.I. Appraisals Limited, on an open market value basis. The surplus arising on revaluation has been credited to investment property revaluation reserve.

Notes to the Financial Statements

for the year ended 31 December 2003

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
As at 1 January 2003	5,883	7,855	7,538	2,045	23,321
Additions	—	578	1,006	133	1,717
Disposals	(5,883)	—	(126)	(380)	(6,389)
Translation difference	—	—	2	—	2
As at 31 December 2003	—	8,433	8,420	1,798	18,651
Accumulated depreciation					
As at 1 January 2003	2,868	6,387	6,093	1,185	16,533
Charge of the year	—	785	319	89	1,193
Disposals	(2,868)	—	(6)	(57)	(2,931)
As at 31 December 2003	—	7,172	6,406	1,217	14,795
Net book value					
As at 31 December 2003	—	1,261	2,014	581	3,856
As at 31 December 2002	3,015	1,468	1,445	860	6,788

The cost of properties, plant and equipment includes an amount of HK\$185,000 in respect of assets held under finance leases (2002: HK\$120,000) and the related accumulated depreciation amounts to HK\$97,000 (2002: HK\$36,000).

Notes to the Financial Statements

for the year ended 31 December 2003

14. PROPERTIES HELD FOR DEVELOPMENT

	2003 HK\$'000	2002 HK\$'000
Cost		
As at 1 January 2003	12,000	7,823
Additions	—	12,000
Disposals	—	(7,823)
Transfer to investment properties (<i>note 12</i>)	(12,000)	—
Transfer from properties for sale	25,005	—
As at 31 December 2003	25,005	12,000

The properties held for development are situated in Hong Kong and are held under medium-term leases.

15. INTERESTS IN SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	2,318,856	2,318,856
Less: Provision for impairment	(1,773,856)	(1,773,856)
	545,000	545,000
Amounts due from subsidiaries	1,471,161	1,473,404
Less: Provision for doubtful debts	(1,471,161)	(1,473,404)
	—	—
	545,000	545,000

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

Notes to the Financial Statements

for the year ended 31 December 2003

15. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2003 are as follows:

Name	Place of incorporation/ operation	Particulars of issued share capital	Percentage of issued capital held by the		Principal activities
			Group	Company	
Champion Fund Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	—	Property development
Digital World Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Property development
Future Base Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Property development
Gold Smart (Asia) Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Subletting
Golden Relay Company Limited	Hong Kong	99,998 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	100%	—	Property development and property investment
Goldprofit (Consultant) Services Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Provision of building repairs and maintenance services
Goldwell Property Management Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	—	Provision of building management service
Join Success (Hong Kong) Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	100%	—	Property investment
Pacific Well Realty Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Property investment
Rich Top Development Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	100%	—	Property investment

Notes to the Financial Statements

for the year ended 31 December 2003

15. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Particulars of issued share capital	Percentage of issued capital held by the		Principal activities
			Group	Company	
Soundwill (BVI) Limited	British Virgin Islands	100,001,000 ordinary shares of HK\$1 each	100%	100%	Investment holdings
Soundwill Finance Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Loan financing
Soundwill Real Estate Agency Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Provision of real estate agency services
Super Keep Investment Limited	Hong Kong	9,998 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$ 1 each	100%	—	Property development
The Cosmopolitan Business Consultant Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	—	Property development
Top Hill Holdings Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	70%	—	Property development
Wales Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Property development
Wealthy Surplus Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Property Investment
Wonder Mark Limited	Hong Kong	1,000,000 ordinary shares of HK\$1 each	100%	—	Property development
Yield Success Development Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	—	Property development
Soundwill (China) Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Investment holding
Soundwill (Anhui) Limited	Hong Kong	9,999 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	100%	—	Investment holding
Soundwill (Chongqing) Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	—	Investment holding

Notes to the Financial Statements

for the year ended 31 December 2003

15. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Particulars of issued share capital	Percentage of issued capital held by the		Principal activities
			Group	Company	
Soundwill (Fujian) Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	—	Investment holding
Soundwill (Guangdong) Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	—	Investment holding
Soundwill (Guangxi) Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	—	Investment holding
Soundwill (Guizhou) Limited	Hong Kong	100,000 ordinary shares of HK\$1 each	100%	—	Investment holding
Soundwill (Hebei) Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Investment holding
Soundwill (Henan) Limited	Hong Kong	9,998 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	100%	—	Investment holding
Soundwill (Hubei) Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Investment holding
Soundwill (Jiangsu) Limited	Hong Kong	9,998 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	100%	—	Investment holding
Soundwill (Jiangxi) Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Investment holding
Soundwill (Jilin) Limited	Hong Kong	99 ordinary shares of HK\$1 each 1 non-voting deferred share of HK\$1 each	100%	—	Investment holding
Soundwill (Shaanxi) Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	100%	—	Investment holding
Soundwill (Shandong) Limited	Hong Kong	9,998 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	100%	—	Investment holding

Notes to the Financial Statements

for the year ended 31 December 2003

15. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Particulars of issued share capital	Percentage of issued capital held by the		Principal activities
			Group	Company	
Soundwill (Sichuan) Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Investment holding
Soundwill (Yunnan) Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Investment holding
重慶金朝陽城市管網建設 管理有限公司	PRC	Registered capital of HK\$20,000,000*	80%	—	Urban infrastructure
黃岡市城市管網建設 投資有限公司	PRC	Registered capital of HK\$20,000,000*	80%	—	Urban infrastructure
柳州城市管網建設 管理有限公司	PRC	Registered capital of HK\$28,280,000*	100%	—	Urban infrastructure
玉溪市城市管道建設 有限公司	PRC	Registered capital of HK\$20,000,000*	80%	—	Urban infrastructure
南平市（金朝陽）城市管道 建設投資管理有限公司	PRC	Registered capital of HK\$25,000,000*	80%	—	Urban infrastructure
武夷山城市管道建設 投資有限公司	PRC	Registered capital of HK\$10,000,000*	80%	—	Urban infrastructure
寶鷄市城市管網建設投資 有限公司	PRC	Registered capital of HK\$20,000,000	80%	—	Urban infrastructure
韶關城市管網建設投資 管理有限公司	PRC	Registered capital of HK\$20,000,000*	80%	—	Urban infrastructure
景德鎮城市管網建設 投資管理有限公司	PRC	Registered capital of HK\$20,000,000*	80%	—	Urban infrastructure
南昌城市管網建設投資 有限公司	PRC	Registered capital of HK\$30,000,000*	80%	—	Urban infrastructure
威海市城市管網建設投資 有限公司	PRC	Registered capital of HK\$20,000,000*	80%	—	Urban infrastructure
廣州金朝陽城市管網建設 有限公司	PRC	Registered capital of RMB10,000,000	100%	—	Urban infrastructure

Note:

- * Pursuant to the joint venture agreements, the PRC parties to the agreements are required to contribute certain urban infrastructure development rights as capital contributions to these subsidiaries. As at the balance sheet date, such urban infrastructure development rights had not been injected to the subsidiaries as capital contributions.

Notes to the Financial Statements

for the year ended 31 December 2003

16. INTERESTS IN ASSOCIATES

	2003 HK\$'000	2002 HK\$'000
Share of net liabilities	(12,597)	(12,594)
Amounts due from associates	15,526	15,534
Premium on acquisition	8	8
	2,937	2,948

Particulars of these associates that are accounted for under the equity method as at 31 December 2003 are as follows:

Name of associates	Place of incorporation/ operation	Percentage of issued ordinary shares held indirectly		Principal activities
		2003	2002	
Happy Wealth Industries Limited	Hong Kong	30%	30%	Property investment
Wellway Estate Limited	Hong Kong	30%	30%	Investment holding and property investment

17. OTHER INVESTMENTS

	2003 HK\$'000	2002 HK\$'000
Unlisted investment, at cost	6,660	6,660
Provision for diminution in value	(6,650)	(6,650)
	10	10
Listed equity Securities, at cost — listed in Hong Kong	1	—
	11	10
Market value of listed investments	1	—

Unlisted investment represents 35% of the issued ordinary share capital of an unlisted company incorporated in Hong Kong.

Notes to the Financial Statements

for the year ended 31 December 2003

17. OTHER INVESTMENTS (Continued)

The unlisted investment is classified as other investment because in the opinion of the Directors, the Group has no significant influence over the financial and operating policy decisions of the investee company.

18. INSTALMENTS RECEIVABLE

	Notes	2003 HK\$'000	2002 HK\$'000
Secondary mortgage loans	(a)	874	1,624
Long-term receivable	(b)	2,883	11,530
		3,757	13,154
Current portion		3,490	9,571
Non-current portion		267	3,583
		3,757	13,154

(a) The amount represents the principal amounts of secondary mortgage loan to be received by instalments less any provision for doubtful debts. The gross amounts repayable by mortgagor where appropriate include principal and interest accrued on the balance outstanding at contracted rates.

(b) The amount represents portion of sale proceeds of disposal of investment properties to be received by instalments.

Notes to the Financial Statements

for the year ended 31 December 2003

19. INTANGIBLE ASSETS

	Urban infrastructure development rights
	HK\$'000
<hr/>	
Cost	
As at 1 January 2003	—
Additions	4,029
<hr/>	
As at 31 December 2003	4,029
<hr/>	
Amortisation and impairment losses	
As at 1 January 2003	—
Amortisation charge for the year	134
<hr/>	
As at 31 December 2003	134
<hr/>	
Net book value	
As at 31 December 2003	3,895
<hr/>	
As at 31 December 2002	—
<hr/>	

The amortisation charge for the year is included in administrative expenses.

Notes to the Financial Statements

for the year ended 31 December 2003

20. GOODWILL

	HK\$'000
Cost	
As at 1 January 2003	299,622
Acquisition of subsidiary	7,026
As at 31 December 2003	306,648
Amortisation and impairment losses	
As at 1 January 2003	299,622
Amortisation charge for the year	73
Impairment loss	5,566
As at 31 December 2003	305,261
Net book value	
As at 31 December 2003	1,387
As at 31 December 2002	—

The amortisation charge for the year is included in administrative expenses.

21. PROPERTIES FOR SALE

	2003 HK\$'000	2002 HK\$'000
Under development	—	25,005
Held for development	—	10,680
Completed properties	—	3,500
	—	39,185

Notes to the Financial Statements

for the year ended 31 December 2003

22. INVENTORIES

	2003 HK\$'000	2002 HK\$'000
Raw materials	67	90
Work in progress	7,414	—
Finished goods	6,651	—
	14,132	90

All inventories are carried at cost. Work in progress and finished goods represented urban infrastructure construction works either in progress or completed and available for sale as at the balance sheet date.

23. TRADE DEBTORS

As at balance sheet date, trade debtors included in debtors, prepayments and deposits amounted to HK\$25,959,000 (2002: HK\$6,076,000). The aging of these debtors is set out below:

	2003 HK\$'000	2002 HK\$'000
0–30 days	23,300	1,911
31–90 days	1,434	951
Over 90 days	1,225	3,214
	25,959	6,076

The credit terms of the Group range from 30 to 90 days.

24. DEPOSITS ON ACQUISITION OF PROPERTIES

Included in deposits on acquisition of properties is the net carrying amount of deposits of HK\$5,000,000 (2002: HK\$5,000,000) arising from legal proceedings involving a wholly owned subsidiary of the Company.

Notes to the Financial Statements

for the year ended 31 December 2003

25. RESTRICTED BANK BALANCES

Restricted bank balances represented bank balances operated by bank creditors for depositing and distributing rental under assignment.

26. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

As at balance sheet date, all trade creditors of HK\$29,825,000 (2002: HK\$14,556,000 included in creditors, accruals and deposits received) were within 30 days.

27. BORROWINGS

Group

	2003	2002
	HK\$'000	HK\$'000
Loans		
Bank loans — secured	1,047,229	1,075,546
Other loans	106,647	78,744
Amount due to ultimate holding company	202,707	250,978
	1,356,583	1,405,268
Obligations under finance leases	117	107
	1,356,700	1,405,375
Less: Current portion due within one year included under current liabilities	(352,918)	(29,241)
Non current portion included under long term liabilities	1,003,782	1,376,134

Notes to the Financial Statements

for the year ended 31 December 2003

27. BORROWINGS (Continued)

Group (Continued)

Loans of the Group are payable as follows:

	2003			2002		
	Bank loans- secured HK\$'000	Other loans HK\$'000	Due to ultimate holding company HK\$'000	Bank loans- secured HK\$'000	Other loans HK\$'000	Due to ultimate holding company HK\$'000
On demand or within one year	343,262	9,598	—	28,014	1,198	—
Within a period of more than one year not exceeding two years	39,572	8,400	202,707	443,852	—	—
Within a period of more than two years not exceeding five years	664,395	88,649	—	603,680	77,546	250,978
Total	1,047,229	106,647	202,707	1,075,546	78,744	250,978

Bank loans of the Group are secured by certain properties of the Group as set out in note 28. Other loans are unsecured and interest bearing at 5% to 14% (2002: 19.25%–24%) per annum.

The amount due to the ultimate holding company is unsecured, bears interest of Hong Kong Dollars Prime Lending Rate plus 1.75% per annum and will be wholly repayable by 24 March 2005.

Notes to the Financial Statements

for the year ended 31 December 2003

27. BORROWINGS (Continued)

Group (Continued)

The analysis of the obligations under finance leases is as follows:

	2003 HK\$'000	2002 HK\$'000
Due within one year	80	63
Due in the second to fifth years	65	100
	145	163
Future finance charges on finance leases	(28)	(56)
Present value of finance lease liabilities	117	107
The present value of finance lease liabilities is as follows:		
Due within one year	58	28
Due in the second to fifth years	59	79
	117	107
Less: Portion due within one year included under current liabilities	(58)	(28)
Non-current portion included under long-term liabilities	59	79

Notes to the Financial Statements

for the year ended 31 December 2003

27. BORROWINGS (Continued)

Group (Continued)

The analysis of the maturities of the Group's borrowings is as follows:

	2003 HK\$'000	2002 HK\$'000
Wholly repayable within five years		
Loans	1,356,583	1,327,721
Obligation under finance leases	117	107
	1,356,700	1,327,828
Not wholly repayable within five years		
Loans	—	77,546
	1,356,700	1,405,374

Company

	2003 HK\$'000	2002 HK\$'000
Amount due to ultimate holding company	202,707	250,978

The amount due to the ultimate holding company is unsecured, bears interest of Hong Kong Dollars Prime Lending Rate plus 1.75% per annum and will be wholly repayable by 24 March 2005.

28. PLEDGE OF ASSETS

As at balance sheet date, properties of the Group with an aggregate net book value of HK\$2,216,046,000 (2002: HK\$1,702,740,000) and bank deposits of Nil (2002: Nil) were pledged to secure bank loans of HK\$1,047,229,000 (2002: HK\$1,075,546,000).

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29. DEFERRED TAXATION

Group

As at 31 December 2003, the amount of unrecognised deferred tax assets is as follows:

	2003	2002
	HK\$'000	HK\$'000
Tax effect of temporary differences attributable to:		
Tax losses	51,547	87,934
Others	318	291
	51,865	88,225

No deferred tax asset has been recognised due to the uncertainty of future profit streams against which the asset can be utilised.

The Company did not have any material temporary differences as at 31 December 2003 or 2002.

Notes to the Financial Statements

for the year ended 31 December 2003

30. SHARE CAPITAL

	2003 Number of Share	HK\$'000	2002 Number of Share	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 (2002: HK\$0.01) each	5,000,000,000	500,000	50,000,000,000	500,000
Issued and fully paid:				
At 1 January 2003	3,116,402,151	31,164	3,116,402,151	311,640
Share consolidation	(3,054,074,108)	—	—	—
Capital reduction	—	(24,931)	—	(280,476)
Exercise of warrants	7,370,400	737	—	—
	69,698,443	6,970	3,116,402,151	31,164

Pursuant to a special resolution passed on 3 April 2003, the capital re-organisation which comprises the following in relation to the capital of the Company was effected on 4 April 2003:

- (i) every 50 issued ordinary share of HK\$0.01 each was consolidated into one issued ordinary share of HK\$0.50 each (the "Issued Share Consolidation");
- (ii) following the Issued Share Consolidation, the paid up capital and par value of the issued ordinary shares was reduced from HK\$0.50 to HK\$0.10 (the "Capital Reduction");
- (iii) the amount arising from the cancellation of the capital pursuant to the Capital Reduction of HK\$24,931,000 was credited to the contributed surplus account;
- (iv) following the Capital Reduction, every 10 authorised but unissued shares of HK\$0.01 each was consolidated into one authorized but unissued ordinary share of HK\$0.10 each.

Notes to the Financial Statements

for the year ended 31 December 2003

31. SHARE OPTION SCHEMES

The Company operate 2 share option schemes adopted on 25 February 1997 (the "1997 Share Option Scheme") and 22 July 2002 (the "2002 Share Option Scheme") (collectively the "Schemes") respectively.

The Stock Exchange introduced changes to the provisions of the Chapter 17 of the Listing Rules in relation to share option schemes which took effect on 1 September 2001. In order to comply with the new provisions, the 1997 Share Option Scheme was terminated on 22 July 2002 when the 2002 Share Option Scheme was adopted. Since then, no further share option may be granted under the 1997 Share Option Scheme. However, in respect of the outstanding share options granted under the 1997 Share Option Scheme, the 1997 Share Option Scheme shall remain in force and such outstanding share options shall continue to be subject to the provisions of the 1997 Share Option Scheme and the new provisions of Chapter 17 of the Listing Rules.

The principal terms of the Schemes are set out as follows:

Purpose of the Schemes

The purpose of the Schemes is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Eligible Participants of the Schemes

1997 Share Option Scheme

Any employee of the Company or its subsidiaries and any executive director of the Company or its subsidiaries.

2002 Share Option Scheme

(i) any executive or non-executive directors of the Group or any employees of the Group; (ii) any discretionary object of a discretionary trust established by any employee, executive or non-executive director of the Group; (iii) any consultant(s) and professional adviser(s) to the Group; (iv) Chief Executive (as defined under the Listing Rules) or Substantial Shareholder (as defined under the Listing Rules) of the Company; (v) Associates (as defined under the Listing Rules) of Director, Chief Executive or Substantial Shareholder of the Company; and (vi) employees of the Substantial Shareholder.

31. SHARE OPTION SCHEMES (Continued)

Total Number of Securities Issuable

1997 Share Option Scheme

The 1997 Share Option Scheme has been terminated and no further share options may be granted thereunder.

2002 Share Option Scheme

The total number of shares which may be issued upon exercise of all share options to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2002 Share Option Scheme provided that share options lapsed will not be counted for the purpose of calculating such 10% limit. As at the date of this annual report, the total number of shares available for issue under the 2002 Share Option Scheme was 4,768,804 representing approximately 5.66% of the Company's shares in issue as at that date.

Under the 2002 Share Option Scheme, the Company may obtain a fresh approval from its shareholders in general meeting to refresh the above mentioned 10% limit. In such event, the total number of shares in respect of which share options may be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of such approval provided that share options previously granted under the 2002 Share Option Scheme (including those outstanding, cancelled, lapsed or exercised share options) will not be counted for the purpose of calculating such 10% limit.

Notwithstanding anything hereinbefore contained and subject to the maximum entitlement of each participant hereinafter mentioned, the maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such other higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

Notes to the Financial Statements

for the year ended 31 December 2003

31. SHARE OPTION SCHEMES (Continued)

Maximum Entitlement of Each Employee/Participant

1997 Share Option Scheme

No option may be granted to any one Employee (as defined in the 1997 Share Option Scheme) which, if exercised in full, would result in such Employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued under all the options previously granted to him would exceed 25% of the aggregate number of shares for the time being issued and issuable under the 1997 Share Option Scheme.

2002 Share Option Scheme

Unless separately approved by the shareholders of the Company in general meeting with the particular Participant (as defined in the 2002 Share Option Scheme) and his or her associate (as defined under the Listing Rules) abstaining from voting, 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 12 months period shall not exceed 1% of the total number of shares in issue.

Period to Take Up Share Options and Minimum Period to Hold Before Exercise

Under the Schemes, the period within which the shares must be taken up under a share option and the minimum period, if any, for which a share option must be held before it can be exercised are to be decided by the Directors of the Company upon granting the relevant share options. Details of such information (if any) relating to the outstanding share options are set out below.

Amount Payable to Take Up Share Options and Time to Accept Offer

Under the Schemes, an offer for the granting of share options under the Schemes shall be accepted within 28 days from the offer date and by way of payment of a consideration of HK\$1.00.

31. SHARE OPTION SCHEMES (Continued)

Exercise price

1997 Share Option Scheme

The exercise price shall be a price determined by the board of directors of the Company and shall be the higher of:

- (i) a price not less than 80% of the average of the closing prices of the shares quoted in The Stock Exchange for the five trading days immediately preceding the offer date;
- (ii) the nominal value of the shares.

2002 Share Option Scheme

The exercise price shall be a price determined by the board of directors of the Company and shall be at least the higher of:

- (i) the closing price of the shares quoted on the Stock Exchange on the offer date;
- (ii) a price being the average of the closing prices of the shares as quoted in the Stock Exchange for the 5 trading days immediately preceding the offer date;
- (iii) the nominal value of the shares.

Life of the Schemes

The Schemes have a life of 10 years from their respective adoption dates. Remaining lives of the Schemes are 2 years 10 months 4 days, 8 years 3 months, 1 day respectively from the date of this annual report.

Notes to the Financial Statements

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31. SHARE OPTION SCHEMES (Continued)

As at the balance sheet date, details of the outstanding options granted to several Directors and various employees of the Group are as follows:

1997 Share Option Scheme

Name of Grantee	Date of Grant	Exercise Price (HK\$)	Exercisable Period	Amount as at 1 January 2003	Number granted during the year	Number lapsed during the year	Amount as at 31 December 2003
Directors							
Foo Kam Chu, Grace	8 February 2000	0.164 ¹	8 August 2000 to 31 December 2004	3,500,000	—	—	70,000 ⁷
	2 January 2001	0.100 ²	2 July 2001 to 24 February 2007	3,800,000	—	—	76,000 ⁷
Leung Yeuk Kuk, Joseph	8 February 2000	0.164 ¹	8 August 2000 to 31 December 2004	2,000,000	—	40,000 ⁶	—
	2 January 2001	0.100 ²	2 July 2001 to 24 February 2007	2,500,000	—	50,000 ⁶	—
Liu Guoyuan	2 January 2001	0.100 ²	2 July 2001 to 24 February 2007	3,800,000	—	76,000 ⁶	—
Chan Wai Ling	2 January 2001	0.100 ²	2 July 2001 to 24 February 2007	3,000,000	—	—	60,000 ⁷
Tse Chun Kong, Thomas	8 February 2000	0.164 ¹	8 August 2000 to 31 December 2004	2,000,000	—	—	40,000 ⁷
	2 January 2001	0.100 ²	2 July 2001 to 24 February 2007	2,500,000	—	—	50,000 ⁷
Kwan Chai Ming	1 June 2000	0.248 ³	1 June 2001 to 24 February 2007	1,000,000	—	—	20,000 ⁷
	2 January 2001	0.100 ²	2 January 2002 to 24 February 2007	500,000	—	—	10,000 ⁷
Other Employees							
	8 February 2000	0.164 ¹	8 August 2000 to 31 December 2004	3,500,000	—	—	70,000 ⁷
	1 June 2000	0.248 ³	1 December 2000 to 24 February 2007	500,000	—	—	10,000 ⁷
	2 January 2001	0.100 ²	2 July 2001 to 24 February 2007	9,400,000	—	—	188,000 ⁷
	14 June 2002	0.100 ^{4, 5}	14 June 2002 to 24 February 2007	2,500,000	—	—	50,000 ⁷
				40,500,000	—	166,000	644,000

31. SHARE OPTION SCHEMES (Continued)

1997 Share Option Scheme (Continued)

Notes:

1. The exercise price was adjusted to HK\$8.20 upon consolidation of share capital effective on 4 April 2003.
2. The exercise price was adjusted to HK\$0.05936 following the capital re-organisation of the Company effective on 23 July 2002 and further adjusted to HK\$2.97 upon consolidation of share capital effective on 4 April 2003;
3. The exercise price was adjusted to HK\$12.40 upon consolidation of share capital on effective 4 April 2003.
4. The exercise price was adjusted to HK\$0.05100 following the capital re-organisation of the Company effective on 23 July 2002;
5. The closing market price per share on the trading date immediately preceding the date on which the share options were granted was HK\$0.050;
6. Messrs. Leung Yeuk Kuk, Joseph and Liu Guoyuan resigned from their directorships during the year and the share options previously granted to them became lapsed;
7. The number of options was adjusted by dividing 50 upon consolidation of share capital effective on 4 April 2003.
8. None of the share options granted was exercised during the year.

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31. SHARE OPTION SCHEMES (Continued)

2002 Share Option Scheme

Name of Grantee	Date(s) of Grant	Closing Price Immediately Preceding The Date of Grant (HK\$)		Exercise Price (HK\$)	Exercise Period	As at 1 January 2003	Number of Options		As at 31 December 2003
							Granted During The Year	Exercised During The Year	
Foo Kam Chu, Grace	11 July 2003	1.50	1.50	1.50	8 January 2004 to 7 January 2009	—	80,000	—	80,000
Chan Wai Ling	10 July 2003	1.50	1.50	1.50	8 January 2004 to 7 January 2009	—	60,000	—	60,000
Tse Chun Kong, Thomas	14 July 2003	1.50	1.50	1.50	8 January 2004 to 7 January 2009	—	60,000	—	60,000
Kwan Chai Ming	10 July 2003	1.50	1.50	1.50	8 January 2004 to 7 January 2009	—	40,000	—	40,000
Liu Hanbo	16 July 2003	1.50	1.50	1.50	8 January 2004 to 7 January 2009	—	60,000	—	60,000
Meng Qinghui	16 July 2003	1.50	1.50	1.50	8 January 2004 to 7 January 2009	—	60,000	—	60,000
Other Employees	10 July 2003	1.50	1.50	1.50	8 January 2004 to 7 January 2009	—	280,000	—	280,000
	11 July 2003	1.50	1.50	1.50	8 January 2004 to 7 January 2009	—	70,000	—	70,000
	12 July 2003	1.50	1.50	1.50	8 January 2004 to 7 January 2009	—	50,000	—	50,000
	14 July 2003	1.50	1.50	1.50	8 January 2004 to 7 January 2009	—	60,000	—	60,000
							820,000		820,000

Rule 17.08 of the Listing Rules stipulates that the listed issuer is encouraged to disclose in its annual report the value of options granted to participants as referred to in (i) to (v) of Rule 17.07 during the financial year. The Directors consider it inappropriate to value the share options as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the share options based on various speculative assumptions would be meaningless and could be misleading to the shareholders. The Directors therefore consider the disclosure of only the relevant market price and exercise price, which are readily ascertainable, will be more appropriate.

32. SHARE WARRANTS

- (a) On 15 November 2000, a total 184,381,339 units of warrants (the "Unlisted Warrants") were granted by the Company to the Group's bankers pursuant to the Debt Restructure Agreement. Each of the Unlisted Warrants entitled the warrant-holder to subscribe for one share of the Company of HK\$0.10 each at the lower of the following prices within the period of one year from 31 January 2002:
- (i) HK\$0.249; or
 - (ii) 80% of the average closing price of the shares of the Company quoted by The Stock Exchange for the ten trading days immediately prior to 31 January 2002.

But in any event not less than HK\$0.10.

The Company has guaranteed the bankers a minimum return on the exercise of the Unlisted Warrants. During the subsisting exercisable period, no Unlisted Warrant was exercised and all the Unlisted Warrants lapsed on 31 January 2003. Balance of the provision for charges arising from the unexercised Unlisted Warrants as at 31 December 2003 amounting to HK\$5,318,000 (2002: HK\$8,398,000).

- (b) On 3 September 2003, a total 12,465,608 units of warrants (the "Warrants") were granted by the Company to its shareholders on the basis of one Warrant for every 5 then existing issued share held by the shareholders. Each of the Warrants entitled the warrant-holder to subscribe for one share of the Company of HK\$0.10 each at the initial subscription price of HK\$2.00 (subject to adjustment (if any)) during the period from 3 September 2003 until 2 March 2006 (both dates inclusive). During the year 7,370,400 Warrants which had been granted to Ko Bee Limited, the controlling Shareholder of the Company, were exercised.

Notes to the Financial Statements

for the year ended 31 December 2003

33. RESERVES

Group

	2003	2002
	HK\$'000	HK\$'000
Share premium (note (a))	14,004	—
Investment property revaluation reserve (note (b))	1,219,497	695,011
Accumulated losses	(331,027)	(415,739)
Special reserve (note (c))	10,030	10,030
Exchange reserve	12	—
	912,516	289,302

- (a) Share premium represents the excess of consideration received over the par value of shares issued.
- (b) The investment property revaluation reserve is set up and dealt with in accordance with the accounting policies adopted for the revaluation of investment properties.
- (c) The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital of the subsidiaries pursuant to the Group's re-organisation in 1997.

Notes to the Financial Statements

for the year ended 31 December 2003

33. RESERVES (Continued)

Company

	Share premium (Note (a)) HK\$'000	Contributed surplus (Note (b)) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2002	1,061,337	2,228,856	(3,141,035)	149,158
Capital reduction	(1,061,337)	—	1,341,813	280,476
Loss for the year	—	—	(167,263)	(167,263)
As at 31 December 2002	—	2,228,856	(1,966,485)	262,371
Capital reduction	—	—	24,931	24,931
Exercise of Warrants	14,004	—	—	14,004
Profit for the year	—	—	32,482	32,482
Proposed final dividend for 2003 (note 10)	—	—	(2,025)	(2,025)
As at 31 December 2003	14,004	2,228,856	(1,911,097)	331,763

- (a) Share premium represents the excess of consideration received over the par value of share issued.
- (b) The contributed surplus represents the difference between the nominal value of the Company's shares issued in exchange for all the issued ordinary shares of Lucky Spark Limited (a subsidiary) and the value of the net underlying assets of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to the shareholders under certain circumstances. However, the Company cannot declare or pay a dividend or make a distribution out of contribution surplus if:
- (1) it is, or would after the payment be, unable to pay its liabilities as they become due or
 - (2) 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.

Notes to the Financial Statements

for the year ended 31 December 2003

34. DIRECTORS' AND EMPLOYEES' REMUNERATION

Details of the remuneration paid by the Group to the Directors and the five highest paid individuals (including directors and employees) for the year are as follows:

(a) Directors' emoluments

	2003 HK\$'000	2002 HK\$'000
Fees		
Executive directors	—	—
Non-executive directors	60	60
	60	60
Other emoluments		
Salaries and other benefits	4,144	3,501
Contributions to defined contribution retirement scheme	46	63
	4,190	3,564
	4,250	3,624

The emoluments of the directors were within the following bands:

	2003 Number of Directors	2002 Number of Directors
HK\$Nil–HK\$1,000,000	8	8
HK\$1,000,001–HK\$1,500,000	2	1

Notes to the Financial Statements

for the year ended 31 December 2003

34. DIRECTORS' AND EMPLOYEES' REMUNERATION (Continued)

(b) Five highest paid individuals

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

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	1,745	2,078
Contributions to defined contribution retirement scheme	24	30

The emoluments of each of these remaining two (2002: three) individuals were within the band of nil to HK\$1,000,000.

35. DEFINED CONTRIBUTION RETIREMENT SCHEME

The Group has joined a mandatory provident fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Scheme, 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 the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payables in future years.

The defined contribution retirement scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable by the Group at the rates specified in the rules of the scheme.

Employees in the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 3% to 8% of the employee payroll to the scheme to fund the retirement benefits to the employees. The Group has no further liability in respect of the retirement benefit of the employees of the PRC subsidiaries.

Notes to the Financial Statements

for the year ended 31 December 2003

35. DEFINED CONTRIBUTION RETIREMENT SCHEME (Continued)

The details of the retirement benefits scheme contributions for the Directors and employees which have been dealt with in the income statement of the Group for the year, are as follows:

	2003 HK\$'000	2002 HK\$'000
Gross scheme contributions	364	416

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

During the year, the ultimate holding company waived its accrued loan interest due from the Group amounting to HK\$46,064,000 (2002: Nil) pursuant to the Deed of Release dated 13 October 2003 made between the Company and the ultimate holding company.

(b) Purchase of subsidiaries

	2003 HK\$'000
Net assets acquired	
Property, plant and equipment	292
Investment properties	1,750
Intangible assets	4,029
Inventories	2
Prepayments and other receivables	1,371
Bank balances and cash	211
Accruals and other payables	(3,302)
Minority shareholders' interests	(4,029)
	324
Goodwill	7,026
	7,350
Satisfied by:	
Cash	7,350

Notes to the Financial Statements

for the year ended 31 December 2003

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

(c) Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiaries

	2003 HK\$'000
Cash consideration	(7,350)
Bank balances and cash acquired	211
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	(7,139)

(d) Disposal of a subsidiary

	2003 HK\$'000
Net assets disposed of:	
Debtors, prepayments and deposits	325
Bank balances and cash	17
Creditors and accruals	(89)
Loss on disposal of subsidiaries	253 (203)
Consideration	50
Satisfied by:	
Cash	50

Notes to the Financial Statements

for the year ended 31 December 2003

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

(e) Analysis of net cash inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2003 HK\$'000
Cash and cash equivalents disposed of:	
Bank balances and cash	(17)
Cash consideration received	50
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	33

37. RELATED PARTY TRANSACTIONS

The following transactions with related parties were, in the opinion of the Directors, carried out in the ordinary course of business during the year:

- (a) On 1 January 2003, a wholly owned subsidiary of the Company entered into a tenancy agreement (the "Old Tenancy Agreement") with a related company, in which the Chairman and an executive director of the Company have interests for leasing a property situated at Guangzhou, PRC for office purpose at monthly rental and management charge at HK\$73,912.36 for a period of 12 months from 1 January 2003 until 31 December 2003. The Old Tenancy Agreement was terminated on 30 November 2003 and the parties entered into a new tenancy agreement for leasing another property situated in the same building at monthly rental of HK\$61,097.00 for a period of 12 months from 1 December 2003 until 30 November 2004.
- (b) On 25 March 2003, the unsecured loan facility with a principal amount of approximately HK\$214,756,000 originally granted by the ultimate holding company on 21 November 2000 was renewed and extended until 24 March 2005 on the same principal terms and conditions.
- (c) On 27 May 2003, a related company, in which the Chairman and an executive director of the Company have interests advanced to a wholly owned subsidiary of the Company an unsecured revolving credit facility up to a maximum total principal amount of HK\$50,000,000 with interest rate at prime lending rate for Hong Kong dollars plus 2% per annum. The final maturity date is on 26 May 2006. As at the balance sheet date, approximately HK\$18 million was utilised.
- (d) Pursuant to the Deed of Release dated 13 October 2003 made between the Company and the ultimate holding company, the ultimate holding company unequivocally, irrevocably and unconditionally released and discharged the Company from its liabilities and obligations in respect of the outstanding interest accrued on a loan due to ultimate holding company until 30 September in the sum of approximately HK\$46,064,000.

Notes to the Financial Statements

for the year ended 31 December 2003

37. RELATED PARTY TRANSACTIONS (Continued)

- (e) Interest accrued on amount due to ultimate holding company amounted to HK\$14,433,000 (2002: HK\$14,725,000) during the year.

38. OPERATING LEASE ARRANGEMENTS

The Group leases out all its investment properties under operating leases with average lease terms of 3 years. The future aggregate minimum rental receivable under non-cancelable operating leases are as follows:

	2003 HK\$'000	2002 HK\$'000
Within one year	58,297	65,594
In the second to fifth years inclusive	37,591	64,643
	95,888	130,237

39. COMMITMENTS

(a) Operating lease commitments

As at 31 December 2003, the lease payments for the Group under a non-cancellable operating lease, in respect of a property, which are payable within one year amounted to approximately HK\$672,000 (2002: Nil). The Group leases a property under operating lease which runs for a period of one year. The lease does not include any contingent rentals.

(b) Capital commitments

	2003 HK\$'000	2002 HK\$'000
Commitments in respect of capital contribution to subsidiaries in the PRC	145,080	34,000

Of the total capital commitments, HK\$13,600,000 was due for contribution to the subsidiaries in the PRC in the coming twelve months.

Notes to the Financial Statements

for the year ended 31 December 2003

40. CONTINGENT LIABILITIES

Legal proceedings on properties

- (a) A property related proceedings relating to the purchase of certain properties in Yuen Long by a subsidiary of the Company is still under progress. In such transaction, the said subsidiary has already paid a deposit of HK\$65,000,000. The transaction has fallen through and the said deposit of HK\$65,000,000 has been forfeited by the Vendor. According to the legal advice taken by the Company, the shareholders of such subsidiary would not incur any further liability apart from costs.
- (b) As at balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee for banking facilities utilised by subsidiaries amounting to HK\$816,798,000 (2002: HK\$829,913,000).

41. POST BALANCE SHEET EVENTS

1. On 13 February 2004, the controlling shareholder of the Company, Ko Bee Limited ("Ko Bee") entered into an agreement with Quam Securities Company Limited and the Company in relation to the placement of 5,500,000 then existing shares at the placing price of HK\$2.20 per share and the subscription of 13,939,688 new shares at the subscription price of HK\$2.20 per share. The consideration of around HK\$30.67 million payable by Ko Bee was satisfied partially by offsetting against part of the unsecured interest-bearing loan (the "Shareholder's Loan") owed by the Company to Ko Bee for an amount of around HK\$18.57 million and the balance of around HK\$12.10 million by cash payment.
2. On 17 March 2004, Ko Bee entered into a loan capitalisation agreement with the Company, pursuant to which Ko Bee agreed to subscribe for 17,000,000 new shares of the Company at a price of HK\$2.55 per share. The consideration of HK\$43.35 million will be satisfied by setting off against the Shareholder's Loan for the same amount of HK\$43.35 million. The loan capitalisation constituted a connected transaction for the Company and is subject to the approval of the independent shareholders of the Company in the special general meeting to be convened on 5 May 2004.

42. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 25 to 86 were approved by the board of directors on 21 April 2004.