

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

## 1. GENERAL

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

The Company is engaged in investment holding and securities trading. Its subsidiaries are engaged in the manufacture and sales of garments and commodity concrete, securities investment, property investment and sale. Its associate is engaged in the provision of information technology services in the People's Republic of China (the "PRC").

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK\$153 million at 31st December, 2003. The Company's major shareholder has agreed to provide financial support to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

## 3. ADOPTION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Hong Kong Financial Reporting Standards are inclusive of Statements of Standard Accounting Practice ("SSAP"s) and Interpretations approved by the Hong Kong Society of Accountants.

In the current year, the Group has adopted, for the first time, 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 those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

## 4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

### **Basis of consolidation**

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

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

### **Goodwill**

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

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

### **Investments in subsidiaries**

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

### **Interests in associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

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

### **Interests in jointly controlled entities**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition

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

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

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

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

Revenue from amusement park operation is recognised upon receipt from theme park operation, sales of tickets and services rendered.

Revenue from restaurant operation is recognised when services are rendered.

Income from sales of completed properties is recognised upon completion of the sales agreement and when the risks and rewards of ownership are passed to the buyers.

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

### Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any identified impairment loss.

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

Land and buildings in the PRC	over the lease term
Amusement equipment	20%
Leasehold improvements	10%
Exhibits, display items, furniture, fittings and costumes	6% – 20%
Lifts, electrical and other equipment	10% – 20%
Trams, coaches and motor vehicles	20% – 30%

Land and buildings in the PRC consist of land use rights and buildings in the PRC.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investment properties

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

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

### Land held for development

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

### Leisure-entertainment complex

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

### Investments in securities

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment

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

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using first-in, first-out method.

### Leases

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

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

### Foreign currencies

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation

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

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

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

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

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

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

### Retirement benefit costs

Payments to the defined contribution retirement benefits schemes are charged as an expense as they fall due.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**5. TURNOVER**

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
<b>Continuing operations</b>		
Sales of goods	<b>74,177,924</b>	58,609,346
Securities trading	<b>887,175</b>	4,242,744
Property rental income	<b>8,926,389</b>	10,232,263
Dividend income from listed securities	<b>492,202</b>	752,202
Revenue from amusement park operation	<b>194,562</b>	336,263
	<b>84,678,252</b>	74,172,818
<b>Discontinued operations</b>		
Revenue from golf-resort complex operation	–	9,467,017
Revenue from restaurant operation	–	4,520,950
Sales of properties	–	1,682,618
	<b>84,678,252</b>	89,843,403

Comparative figure has been reclassified to conform with current year's presentation.

**6. BUSINESS AND GEOGRAPHICAL SEGMENTS****Business segments**

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

Principal activities are as follows:

Securities investment and trading	–	investment and trading in securities.
Property development and investment	–	properties development, investment and sale.
Entertainment and leisure	–	operation of golf resort complex, restaurant and amusement park.
Industrial	–	manufacturing and sales of garments and commodity concrete.

Segment information about these businesses is presented below.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)****Business segments (Continued)****2003**

	Securities investment and trading HK\$	Property development and investment HK\$	Entertainment and leisure HK\$	Industrial HK\$	Consolidated HK\$
<b>TURNOVER</b>					
External sales	<u>1,379,377</u>	<u>8,926,389</u>	<u>204,661</u>	<u>74,167,825</u>	<u>84,678,252</u>
<b>RESULTS</b>					
Segment results	<u>8,352,227</u>	<u>(41,939,353)</u>	<u>(64,734,288)</u>	<u>4,787,392</u>	<u>(93,534,022)</u>
Other operating income	83,902	68,746	1,436,094	1,571,458	<u>3,160,200</u>
Loss from operations after impairment loss on interest in leisure-entertainment complex					(90,373,822)
Finance costs					(5,693,260)
Profit on deemed disposal of an associate					3,278,482
Share of results of an associate					7,692,350
Share of results of a jointly controlled entity					<u>7,500</u>
Loss before taxation					(85,088,750)
Taxation					<u>2,691,694</u>
Loss before minority interests					<u>(82,397,056)</u>
<b>BALANCE SHEET</b>					
<b>ASSETS</b>					
Segment assets	45,076,320	170,326,310	6,095,343	58,125,777	279,623,750
Interest in an associate					32,661,084
Interest in a jointly controlled entity					<u>7,068,982</u>
Consolidated total assets					<u>319,353,816</u>
<b>LIABILITIES</b>					
Segment liabilities	20,916,241	7,784,416	29,237,037	21,470,626	79,408,320
Tax payable					403,031
Bank and other loans					<u>149,954,787</u>
Consolidated total liabilities					<u>229,766,138</u>
<b>OTHER INFORMATION</b>					
Capital additions	-	-	-	3,410,946	3,410,946
Depreciation	-	16,395	575,043	3,266,520	3,857,958
Unrealised holding gain on listed other investments	(6,239,799)	-	-	-	(6,239,799)
Impairment loss on property, plant and equipment reversed	-	-	-	(654,354)	(654,354)
Profit on disposal of listed investment securities	(5,275,613)	-	-	-	(5,275,613)
Impairment loss on investment securities reversed	(3,089,978)	-	-	-	(3,089,978)
Deficit on revaluation of investment properties	-	45,451,938	-	-	45,451,938
Impairment loss on interest in leisure-entertainment complex	-	-	68,499,999	-	<u>68,499,999</u>



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)****Business segments (Continued)**

2002

	Securities investment and trading HK\$	Property development and investment HK\$	Entertainment and leisure HK\$	Industrial HK\$	Consolidated HK\$
<b>TURNOVER</b>					
External sales	<u>4,994,946</u>	<u>11,914,881</u>	<u>14,342,940</u>	<u>58,590,636</u>	<u>89,843,403</u>
<b>RESULTS</b>					
Segment results	<u>(34,196,352)</u>	<u>5,691,579</u>	<u>(107,268,315)</u>	<u>1,129,742</u>	(134,643,346)
Other operating income	85,252	40,224	3,517,432	245,103	<u>3,888,011</u>
Loss from operations after impairment					
loss on interest in leisure-entertainment complex					(130,755,335)
Loss on disposal of discontinued operations	-	-	(46,817,276)	-	(46,817,276)
Finance costs					(14,722,776)
Share of results of an associate					6,776,638
Share of results of a jointly controlled entity					<u>824,047</u>
Loss before taxation					(184,694,702)
Taxation					<u>5,386,729</u>
Loss before minority interests					<u>(179,307,973)</u>
<b>BALANCE SHEET</b>					
<b>ASSETS</b>					
Segment assets	42,163,229	213,131,076	75,117,312	56,366,002	386,777,619
Interests in associates					23,011,082
Interest in a jointly controlled entity					<u>7,061,482</u>
Consolidated total assets					<u>416,850,183</u>
<b>LIABILITIES</b>					
Segment liabilities	18,263,310	5,384,570	42,094,422	19,423,335	85,165,637
Tax payable					5,154,701
Bank and other loans					<u>153,681,121</u>
Consolidated total liabilities					<u>244,001,459</u>
<b>OTHER INFORMATION</b>					
Allowance for bad debts	-	-	5,819,416	537,245	6,356,661
Capital additions	-	-	704,890	1,086,869	1,791,759
Depreciation	3,276	15,978	3,337,846	4,012,244	7,369,344
Unrealised holding loss on listed other investments	1,453,041	-	-	-	1,453,041
Impairment loss on property, plant and equipment	-	-	24,751,626	-	24,751,626
Impairment loss on investment securities	30,358,368	-	-	-	30,358,368
Impairment loss on interest in leisure-entertainment complex	-	-	68,500,000	-	<u>68,500,000</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)****Geographical segments**

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

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

	Sales revenue by geographical market	
	2003 HK\$	2002 HK\$
Hong Kong	<b>16,791,262</b>	15,119,469
Malaysia	–	11,149,635
Singapore	<b>7,294,512</b>	12,491,497
PRC, excluding Hong Kong	<b>30,615,590</b>	20,150,893
Japan	<b>29,976,888</b>	30,931,909
	<b><u>84,678,252</u></b>	<u>89,843,403</u>

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Hong Kong	<b>93,842,405</b>	180,431,034	–	–
Malaysia	–	–	–	698,797
Singapore	<b>121,732,641</b>	166,403,467	–	–
PRC	<b>103,778,770</b>	70,015,682	<b>3,410,946</b>	1,092,962
	<b><u>319,353,816</u></b>	<u>416,850,183</u>	<b><u>3,410,946</u></b>	<u>1,791,759</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**7. OTHER OPERATING INCOME**

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Trade payables waived	<b>1,370,379</b>	–
Interest income	<b>154,127</b>	280,718
Sales deposit forfeited	–	822,679
Others	<b>1,635,694</b>	2,784,614
	<b><u>3,160,200</u></b>	<u>3,888,011</u>

Comparative figure has been reclassified to conform with current year's presentation.

**8. OTHER OPERATING EXPENSES**

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Net exchange loss	<b>1,048,880</b>	393,412
Loss on disposal of property, plant and equipment	<b>138,586</b>	24,178
Allowance for bad debts	–	6,356,661
Loss on disposal of investment properties	–	737,902
Others	<b>165,429</b>	2,877,773
	<b><u>1,352,895</u></b>	<u>10,389,926</u>

Comparative figure has been reclassified to conform with current year's presentation.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**9. LOSS FROM OPERATIONS**

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Loss from operations has been arrived at after charging:		
Depreciation		
Owned assets	<b>3,857,958</b>	7,216,592
Assets held under finance leases	–	152,752
Auditors' remuneration	<b>785,875</b>	805,806
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of HK\$1,574,681 (2002: HK\$1,322,875)	<b>13,814,813</b>	15,343,130
Operating lease rentals in respect of premises	–	2,321,305
and after crediting:		
Profit on disposal of listed other investments	<b>43,460</b>	897,068
Rental income from investment properties, less outgoings of HK\$3,353,708 (2002: HK\$432,204)	<b>5,572,681</b>	9,800,059

**10. FINANCE COSTS**

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Interest on:		
Bank loans wholly repayable within five years	<b>5,291,122</b>	14,086,689
Bank loans not wholly repayable within five years	<b>144,092</b>	142,168
Other loans	<b>258,046</b>	414,545
Obligations under finance leases	–	79,374
	<b>5,693,260</b>	14,722,776

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

## 11. DISCONTINUED OPERATIONS

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

The results of the golf resort complex up to the date of disposal, which have been included in the consolidated financial statements, were as follows:

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Turnover	–	11,149,635
Other operating income	–	2,313,969
Operating costs	–	(15,240,048)
Finance costs	–	(8,556,978)
	<hr/>	<hr/>
Loss before taxation	–	(10,333,422)
Taxation	–	131,950
	<hr/>	<hr/>
Loss before minority interests	–	(10,201,472)
Minority interests	–	4,753,945
	<hr/>	<hr/>
Loss for the period	–	(5,447,527)
	<hr/> <hr/>	<hr/> <hr/>

SIL contributed an outflow of HK\$3.6 million to the Group's net operating cash flows, paid HK\$0.7 million in respect of investing activities and received HK\$4 million in respect of financing activities in 2002.

The carrying amounts of the consolidated assets and liabilities of SIL at the date of disposal were approximately HK\$181 million and HK\$154 million, respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**11. DISCONTINUED OPERATIONS (Continued)**

- (b) In July 2002, RFC Far East Cafe Pte. Ltd., a wholly-owned subsidiary of the Company, ceased its restaurant operations in Singapore due to poor market condition and recurring losses in past years.

The results of the restaurant operation up to the date of cessation of business, which have been included in the consolidated financial statements, were as follows:

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Turnover	–	4,520,950
Other operating income	–	308,809
Operating costs	–	(26,350,861)
Finance costs	–	(102,067)
Loss for the period	<u>–</u>	<u>(21,623,169)</u>

RFC Far East Cafe Pte. Ltd contributed an inflow of HK\$3.7 million to the Group's net operating cash flows, paid HK\$2,000 in respect of investing activities and received HK\$4,000 in respect of financing activities in 2002.

**12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS****(a) Directors' emoluments**

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Fees	<b>190,000</b>	190,000
Other emoluments:		
Salaries and other benefits	<b>933,676</b>	972,503
Retirement benefits schemes contributions	<b>72,392</b>	19,625
	<u><b>1,196,068</b></u>	<u>1,182,128</u>

The emoluments disclosed above include directors' fees of HK\$70,000 (2002: HK\$70,000) payable to independent non-executive directors and the emoluments of each of the directors were less than HK\$1 million in both years.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)****(b) Employees' emoluments**

Of the five individuals with the highest emoluments in the Group, two (2002: two) were executive directors and one (2002: one) was non-executive director whose emoluments are included in the disclosures above. The emoluments of the remaining two (2002: two) individuals were as follows:

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Salaries and other benefits	<b>389,186</b>	391,080
Retirement benefits schemes contributions	<b>18,250</b>	18,000
	<b>407,436</b>	409,080

**13. TAXATION**

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Current tax:		
Other jurisdictions	<b>367,680</b>	722,337
(Over)underprovision in prior years:		
Hong Kong	<b>(3,924,607)</b>	(6,000,000)
Other jurisdictions	<b>98,047</b>	28,974
	<b>(3,458,880)</b>	(5,248,689)
Deferred taxation	-	(138,040)
Taxation attributable to the Company and its subsidiaries	<b>(3,458,880)</b>	(5,386,729)
Share of taxation attributable to an associate	<b>767,186</b>	-
	<b>(2,691,694)</b>	(5,386,729)

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**13. TAXATION (Continued)**

The taxation credit for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Loss before taxation	<b><u>(85,088,750)</u></b>	<u>(184,694,702)</u>
Tax at the domestic income tax rate of 17.5% (2002: 16%)	<b>(14,890,531)</b>	(29,551,152)
Tax effect of expenses not deductible for tax purpose	<b>17,983,640</b>	26,009,768
Tax effect of income not taxable for tax purpose	<b>(1,340,383)</b>	(913,675)
Tax effect of utilisation of tax losses not previously recognised	<b>(65,644)</b>	–
Tax effect of tax losses not recognised	<b>45,853</b>	6,287,381
Effect of tax relief granted to a subsidiary	<b>(268,823)</b>	(376,515)
Tax effect of different tax rates of subsidiaries and associate operating in other jurisdictions	<b>98,269</b>	31,901
Share of tax effect of associate	<b>(578,974)</b>	–
Overprovision in prior years	<b>(3,826,560)</b>	(5,971,026)
Others	<b>151,459</b>	(903,411)
Taxation credit for the year	<b><u>(2,691,694)</u></b>	<u>(5,386,729)</u>

**14. LOSS PER SHARE**

The calculation of basic loss per share is based on the loss for the year of HK\$84,759,908 (2002: HK\$179,241,540) and on 331,668,905 (2002: 331,668,905) ordinary shares in issue during the year.



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**15. PROPERTY, PLANT AND EQUIPMENT**

	THE GROUP						THE COMPANY	
	Land and buildings in the PRC held under medium term lease	Amusement equipment	Lifts, electrical and other equipment	Exhibits, display items, furniture, fittings and costumes	Leasehold improvements	Trams, coaches and motor vehicles	Total	Furniture and fittings
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>COST</b>								
At 1st January, 2003	20,472,871	25,468,536	30,749,591	199,261	30,307,483	8,485,823	115,683,565	18,466
Additions	128,481	-	3,282,465	-	-	-	3,410,946	-
Disposals	(191,757)	-	(15,072)	-	-	-	(206,829)	-
Currency realignment	(215,169)	(151,770)	(286,806)	3,162	498,804	(89,607)	(241,386)	-
At 31st December, 2003	<u>20,194,426</u>	<u>25,316,766</u>	<u>33,730,178</u>	<u>202,423</u>	<u>30,806,287</u>	<u>8,396,216</u>	<u>118,646,296</u>	<u>18,466</u>
<b>DEPRECIATION AND IMPAIRMENT</b>								
At 1st January, 2003	5,458,399	25,132,046	18,529,435	170,563	30,307,483	8,085,609	87,683,535	18,466
Provided for the year	830,288	253,286	2,667,718	16,395	-	90,271	3,857,958	-
Impairment loss reversed	-	-	(654,354)	-	-	-	(654,354)	-
Eliminated on disposals	(66,876)	-	-	-	-	-	(66,876)	-
Currency realignment	(61,691)	(68,566)	(168,526)	2,943	498,804	(85,858)	117,106	-
At 31st December, 2003	<u>6,160,120</u>	<u>25,316,766</u>	<u>20,374,273</u>	<u>189,901</u>	<u>30,806,287</u>	<u>8,090,022</u>	<u>90,937,369</u>	<u>18,466</u>
<b>NET BOOK VALUES</b>								
At 31st December, 2003	<u>14,034,306</u>	<u>-</u>	<u>13,355,905</u>	<u>12,522</u>	<u>-</u>	<u>306,194</u>	<u>27,708,927</u>	<u>-</u>
At 31st December, 2002	<u>15,014,472</u>	<u>336,490</u>	<u>12,220,156</u>	<u>28,698</u>	<u>-</u>	<u>400,214</u>	<u>28,000,030</u>	<u>-</u>

Included in the carrying amount of the Group's land and buildings in the PRC is land use rights of HK\$4,941,113 (2002: HK\$5,184,824).

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**16. INVESTMENT PROPERTIES**

	<b>THE GROUP</b>
	HK\$
AT VALUATION	
At 1st January, 2003	211,101,000
Currency realignment	4,719,041
Revaluation decrease	<u>(47,008,089)</u>
At 31st December, 2003	<u><u>168,811,952</u></u>

The carrying amount of investment properties comprises:

	<b>2003</b>	2002
	HK\$	HK\$
Properties in Hong Kong under medium-term leases	<b>47,800,000</b>	45,600,000
Properties in Singapore under long leases	<b><u>121,011,952</u></b>	<u>165,501,000</u>
	<b><u><u>168,811,952</u></u></b>	<u><u>211,101,000</u></u>

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

The investment properties in Hong Kong were revalued at 31st December, 2003 by DTZ Debenham Tie Leung, an independent firm of valuers, and the investment properties in Singapore were revalued at 12th December, 2003 jointly by Lawson David & Sung Surveyors Limited and Midland Surveyors Limited, independent firms of valuers, in existing state on an open market value basis. The net revaluation decrease, net of minority interests, amounted to HK\$45,943,129 (2002: HK\$10,740,681), of which HK\$491,191 (2002: HK\$10,740,681) has been charged to the investment property revaluation reserve and the remaining balance of HK\$45,451,938 (2002: Nil) has been charged to income statement.

Subsequent to the balance sheet date, the Group has disposed of its entire interest in the investment properties in Singapore to a wholly-owned subsidiary of Far East Consortium International Limited ("FEC"), a company which is controlled by certain directors of the Company. Details of this post balance sheet event are set out in note 43.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**17. LAND HELD FOR DEVELOPMENT**

	<b>THE GROUP</b>	<b>THE COMPANY</b>
	HK\$	HK\$
AT COST		
At 1st January, 2003 and 31st December, 2003	<u>2,734,382</u>	<u>1,994,382</u>

The land held for development of the Group and the Company is situated in Hong Kong held under medium-term leases.

The title of the Company's land held for development has not been transferred to the Company and is still registered in the name of the vendor companies which are controlled by certain directors as trustee for the Company.

**18. LEISURE-ENTERTAINMENT COMPLEX**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	HK\$	HK\$
At 1st January	<b>68,500,000</b>	137,000,000
Less: Impairment loss recognised	<u><b>(68,499,999)</b></u>	<u>(68,500,000)</u>
At 31st December	<u><b>1</b></u>	<u>68,500,000</u>

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**18. LEISURE-ENTERTAINMENT COMPLEX (Continued)**

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

At 31st December, 2003, the directors assessed the recoverable amount of the Group's interest in the leisure-entertainment complex and the directors considered that the possibility of the leisure-entertainment complex to generate future cash flows to the Group is remote. Accordingly, an impairment loss of HK\$68,499,999 (2002: HK\$68,500,000) has been charged to the income statement during the year.

**19. INTERESTS IN SUBSIDIARIES**

	THE COMPANY	
	2003 HK\$	2002 HK\$
Unlisted shares, at cost	<b>152,190,009</b>	152,190,009
Amounts due from subsidiaries, net of amount written off	<b>432,033,722</b>	466,278,597
	<b>584,223,731</b>	618,468,606
Less: Impairment loss and allowance recognised	<b>(492,769,846)</b>	(492,769,846)
	<b>91,453,885</b>	125,698,760

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**19. INTERESTS IN SUBSIDIARIES (Continued)**

Particulars of the subsidiaries of the Company at 31st December, 2003 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Direct	Indirect	
Brentford Investments Inc.	Republic of Liberia/ Hong Kong	US\$200 Ordinary shares	100%	–	Securities investment
Cathay Motion Picture Studios Limited	Hong Kong/ Hong Kong	HK\$3,000,000 Ordinary shares	100%	–	Property investment
China Entertainment (Jiangsu) Development Ltd.	Hong Kong/ Hong Kong	HK\$2 Ordinary shares	100%	–	Investment holding
Far East Art and Cultural Corporation Limited	Hong Kong/ Hong Kong	HK\$2 Ordinary shares	100%	–	Property investment
Far East Holdings China Limited	Hong Kong/ Hong Kong	HK\$2 Ordinary shares	100%	–	Investment holding
Goldtrack Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	90%	–	Investment holding
Goodway Holdings Limited	British Virgin Islands/ Hong Kong	US\$1 Ordinary shares	100%	–	Investment holding
HealthOnline.com Limited	Hong Kong	HK\$10,000 Ordinary shares	100%	–	Inactive
Kwong Ming Amusement Company, Limited	Hong Kong/ Hong Kong	HK\$1,000 Ordinary shares HK\$448,000 Deferred shares	100%	–	Property investment

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**19. INTERESTS IN SUBSIDIARIES (Continued)**

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Direct	Indirect	
Laichi Kok Amusement (Haimen) Company Limited	PRC/PRC**	RMB20,935,332 Paid up registered capital	100%	–	Operation of amusement park
Peterfame Company Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	100%	–	Property investment
Profess World Investments Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	100%	–	Property investment
RFC Far East Ltd.	British Virgin Islands/ Singapore	US\$10 Ordinary shares	100%	–	Investment holding
Tang City Properties Pte. Ltd.	Singapore/ Singapore	S\$100,000 Ordinary shares	90%	–	Property trading and investment
Tang Dynasty City Pte. Ltd.	Singapore/ Singapore	S\$25,000,000 Ordinary shares	95%	–	Construction, development and management of a leisure- entertainment complex in Singapore
Far East Holdings International Limited	Hong Kong	HK\$10,000 Ordinary shares	–	100%	Inactive
Far East Holdings (Jiangsu) Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	–	100%	Investment holding
FEH Strategic Investment Pte. Ltd.	Singapore/ Singapore	S\$10 Ordinary shares	–	90%	Property trading and investment
Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited	PRC/PRC*	US\$3,940,000 Paid up registered capital	–	51%	Garment manufacturing and sales

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**19. INTERESTS IN SUBSIDIARIES (Continued)**

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Direct	Indirect	
RFC Far East Cafe Pte. Ltd.	Singapore	S\$100,000 Ordinary shares	–	100%	Inactive
Suzhou Goldtract Commodity Concrete Company Limited	PRC/PRC*	US\$1,840,000 Paid up registered capital	–	63%	Sales and production of commodity concrete
Tang City Parkway Pte. Ltd.	Singapore/ Singapore	S\$10 Ordinary shares	–	90%	Property investment
Tang Dynasty Catering Pte. Ltd.	Singapore	S\$100,000 Ordinary shares	–	95%	Inactive
TD Consultants Pte. Ltd.	Singapore	S\$100 Ordinary shares	–	95%	Inactive

\* Sino-foreign equity joint venture

\*\* Wholly foreign owned enterprise

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

**20. INTEREST IN AN ASSOCIATE**

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Listed shares, at cost	–	–	<b>16,020,034</b>	16,020,034
Share of net assets	<b>32,661,084</b>	23,011,082	–	–
	<b>32,661,084</b>	23,011,082	<b>16,020,034</b>	16,020,034
Market value	<b>171,589,120</b>	N/A	<b>171,589,120</b>	N/A

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**20. INTEREST IN AN ASSOCIATE (Continued)**

Particulars of the associate of the Company at 31st December, 2003 are as follows:

<b>Name of associate</b>	<b>Place of incorporation/ operation</b>	<b>Proportion of nominal value of issued share capital held by the Group</b>	<b>Principal activity</b>
Chinasoft International Limited ("Chinasoft")	Cayman Islands/ PRC	27.64%	Provision of information technology services

The shares of Chinasoft are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited with effect from 20th June, 2003. Pursuant to the capitalisation issue and shares placing by Chinasoft on 20th June, 2003, the Company's shareholding in Chinasoft has decreased from 36.85% to 27.64%, resulting in a gain on deemed disposal of HK\$3,278,482 for the year.

The following details have been extracted based on the consolidated financial statements of Chinasoft:

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Results for the year		
Turnover	<b>156,424,000</b>	108,417,000
Profit before taxation	<b><u>25,295,000</u></b>	<u>18,390,000</u>
Profit before taxation attributable to the Group	<b><u>7,692,000</u></b>	<u>6,777,000</u>
Financial position		
Non-current assets	<b>12,155,000</b>	9,960,000
Current assets	<b>159,426,000</b>	80,580,000
Current liabilities	<b>(39,742,000)</b>	(17,132,000)
Non-current liabilities	<b><u>(13,673,000)</u></b>	<u>(10,963,000)</u>
Net assets	<b><u>118,166,000</u></b>	<u>62,445,000</u>
Net assets attributable to the Group	<b><u>32,661,000</u></b>	<u>23,011,000</u>



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**21. INTEREST IN A JOINTLY CONTROLLED ENTITY**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Share of net assets	<b><u>7,068,982</u></b>	<u>7,061,482</u>

At 31st December, 2003, the Group held 65% interest in Wuxi Cheerman Recreation Centre Co. Ltd. ("Wuxi Cheerman"), a joint venture registered and engaged in letting of properties in the PRC. Under a joint venture agreement, Wuxi Cheerman is jointly controlled by the Group and another PRC joint venture partner.

The Group's share of results of a jointly controlled entity was based upon its unaudited management accounts made up to 31st December, 2003.

**22. INVESTMENTS IN SECURITIES**

	Investment securities		Other investments		Total	
	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>THE GROUP</b>						
Listed equity securities:						
Hong Kong	12,436,432	16,729,501	5,804,640	2,631,890	18,241,072	19,361,391
Overseas	-	-	8,553,109	5,435,042	8,553,109	5,435,042
	<u>12,436,432</u>	<u>16,729,501</u>	<u>14,357,749</u>	<u>8,066,932</u>	<u>26,794,181</u>	<u>24,796,433</u>
Market value of listed equity securities	<u>12,436,432</u>	<u>16,729,501</u>	<u>14,357,749</u>	<u>8,066,932</u>	<u>26,794,181</u>	<u>24,796,433</u>
Carrying amount analysed for reporting purposes as:						
Current	-	-	14,357,749	8,066,932	14,357,749	8,066,932
Non-current	12,436,432	16,729,501	-	-	12,436,432	16,729,501
	<u>12,436,432</u>	<u>16,729,501</u>	<u>14,357,749</u>	<u>8,066,932</u>	<u>26,794,181</u>	<u>24,796,433</u>

At 31st December, 2002, the directors reviewed the recoverable amount of the Group's investment securities by reference to their market values at the balance sheet date. As the carrying value of the investment securities exceeded their market values, an impairment loss of HK\$30,358,368 was charged to the income statement for that year. At 31st December, 2003, the market values of the investment securities exceeded their carrying values and, accordingly, part of the impairment loss of HK\$3,089,978 has been reversed and credited to the income statement during the year.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**22. INVESTMENTS IN SECURITIES (Continued)**

	<b>Other investments</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
<b>THE COMPANY</b>		
Listed equity securities, at market value:		
Hong Kong	<b>5,737,140</b>	2,594,390
Overseas	<b>8,157,706</b>	5,112,827
	<b><u>13,894,846</u></b>	<u>7,707,217</u>

**23. INVENTORIES**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Raw materials	<b>3,558,925</b>	3,561,596
Work in progress	<b>1,243,385</b>	1,945,524
Finished goods	<b>1,737,346</b>	2,083,304
	<b><u>6,539,656</u></b>	<u>7,590,424</u>

All the inventories are carried at cost.

The cost of inventories recognised as an expense during the year was HK\$67,115,648 (2002: HK\$60,921,572).

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**24. TRADE AND OTHER RECEIVABLES**

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

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
0 – 30 days	<b>5,138,107</b>	8,134,401
31 – 60 days	<b>1,649,952</b>	1,134,954
61 – 90 days	<b>7,163,860</b>	432,397
Over 90 days	<b>3,766,526</b>	4,962,007
	<hr/>	<hr/>
Total trade receivables	<b>17,718,445</b>	14,663,759
Other receivables	<b>7,893,044</b>	13,602,803
	<hr/>	<hr/>
	<b>25,611,489</b>	28,266,562
	<hr/>	<hr/>

**25. AMOUNT DUE FROM AN ASSOCIATE**

The amount is unsecured, interest-free and repayable on demand.

**26. TRADE AND OTHER PAYABLES**

The aged analysis of trade payables is as follows:

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
0 – 30 days	<b>4,196,817</b>	1,901,547
31 – 60 days	<b>1,801,377</b>	1,245,205
61 – 90 days	<b>688,124</b>	661,615
Over 90 days	<b>7,536,591</b>	14,125,740
	<hr/>	<hr/>
Total trade payables	<b>14,222,909</b>	17,934,107
Other payables	<b>42,052,672</b>	30,367,108
	<hr/>	<hr/>
	<b>56,275,581</b>	48,301,215
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**27. AMOUNTS DUE TO DIRECTORS**

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

**28. AMOUNTS DUE TO RELATED COMPANIES**

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

**29. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY**

The amount is unsecured, interest-free and repayable on demand.

**30. OBLIGATIONS UNDER FINANCE LEASES**

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
<b>THE GROUP</b>				
Amounts payable under finance leases:				
Within one year	–	10,690	–	8,409
In the second to fifth year inclusive	–	19,574	–	15,418
	–	30,264	–	23,827
Less: Future finance charges	–	(6,437)	–	–
Present value of lease obligations	–	23,827	–	23,827
Less: Amount due within one year shown under current liabilities			–	(8,409)
Amount due after one year			–	15,418

The obligations under finance leases have been fully repaid during the year.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**31. BANK AND OTHER LOANS**

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Bank and other loans comprise:				
Bank loans	<b>147,365,100</b>	149,126,603	<b>29,485,729</b>	27,053,211
Other loans	<b>2,589,687</b>	4,554,518	<b>2,589,687</b>	4,554,518
	<b><u>149,954,787</u></b>	<u>153,681,121</u>	<b><u>32,075,416</u></b>	<u>31,607,729</u>
Analysed as:				
Secured	<b>149,954,787</b>	150,566,855	<b>32,075,416</b>	31,607,729
Unsecured	<b>–</b>	3,114,266	<b>–</b>	–
	<b><u>149,954,787</u></b>	<u>153,681,121</u>	<b><u>32,075,416</u></b>	<u>31,607,729</u>
The above loans are repayable as follows:				
Within one year	<b>141,372,463</b>	146,167,701	<b>26,075,416</b>	26,807,729
More than one year, but not exceeding two years	<b>2,411,001</b>	4,800,000	<b>2,000,000</b>	4,800,000
More than two years, but not exceeding five years	<b>4,197,833</b>	–	<b>4,000,000</b>	–
More than five years	<b>1,973,490</b>	2,713,420	<b>–</b>	–
	<b><u>149,954,787</u></b>	<u>153,681,121</u>	<b><u>32,075,416</u></b>	<u>31,607,729</u>
Less: Amount due within one year shown under current liabilities	<b><u>(141,372,463)</u></b>	<u>(146,167,701)</u>	<b><u>(26,075,416)</u></b>	<u>(26,807,729)</u>
Amount due after one year	<b><u>8,582,324</u></b>	<u>7,513,420</u>	<b><u>6,000,000</u></b>	<u>4,800,000</u>

Included in the Group's bank and other loans due within one year at 31st December, 2002 was an amount of HK\$6,717,280 in respect of bank loans advanced to certain subsidiaries of the Company. At 31st December, 2003, HK\$6,256,572 of such bank loans have been repaid by the Group and the remaining balance of HK\$460,708 has been fully repaid in February 2004.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**31. BANK AND OTHER LOANS (Continued)**

In addition, included in the Group's bank and other loans due within one year at 31st December, 2003 is an amount of HK\$113,529,540 in respect of bank loans advanced to TCP. TCP is a company in which the Company has a 90% interest and Mr. Dennis Chiu, a director of the Company, has a 10% interest. On 22nd December, 2003, the Company and Mr. Dennis Chiu entered into a conditional sale and purchase agreement in connection with the disposal of their interests in TCP to a wholly-owned subsidiary of FEC and the procurement by FEC of the bank refinancing arrangements pertaining to TCP. Subsequent to the balance sheet date, the bank has released and discharged the Group of the outstanding loans and a new bank loan facility of approximately S\$25.6 million (equivalent to approximately HK\$116.6 million) has been drawn by TCP. Details of this post balance sheet event are set out in note 43.

**32. SHARE CAPITAL**

	2003 HK\$	2002 HK\$
<b>Authorised:</b>		
700,000,000 ordinary shares of HK\$1 each	<u>700,000,000</u>	<u>700,000,000</u>
<b>Issued and fully paid:</b>		
331,668,905 ordinary shares of HK\$1 each	<u>331,668,905</u>	<u>331,668,905</u>

**33. RESERVES**

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
<b>THE COMPANY</b>			
At 1st January, 2002	282,892,010	(410,110,063)	(127,218,053)
Loss for the year	—	(87,358,027)	(87,358,027)
At 1st January, 2003	282,892,010	(497,468,090)	(214,576,080)
Loss for the year	—	(35,086,186)	(35,086,186)
At 31st December, 2003	<u>282,892,010</u>	<u>(532,554,276)</u>	<u>(249,662,266)</u>

The Company did not have any distributable reserves at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**34. DEFERRED TAXATION**

The followings are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting periods:

	<b>Accelerated tax depreciation</b>	<b>Tax losses</b>	<b>Total</b>
	HK\$	HK\$	HK\$
<b>THE GROUP</b>			
At 1st January, 2002	435,499	(435,499)	–
Charge (credit) to income	<u>114,135</u>	<u>(114,135)</u>	<u>–</u>
At 31st December, 2002	549,634	(549,634)	–
Charge (credit) to income	124,413	(124,413)	–
Effect of change in tax rate			
– charge to income statement	<u>51,528</u>	<u>(51,528)</u>	<u>–</u>
At 31st December, 2003	<u><u>725,575</u></u>	<u><u>(725,575)</u></u>	<u><u>–</u></u>

For the purpose of balance sheet presentation, the above deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised).

At 31st December, 2003, the Group has unused tax losses of approximately HK\$115.8 million (2002: HK\$113.7 million) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$4.1 million (2002: HK\$3.4 million) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

The Company has unused tax losses of approximately HK\$75.9 million (2002: HK\$76.3 million) at 31st December, 2003. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**35. DISPOSAL OF SUBSIDIARIES**

As detailed in note 11(a), the Group disposed of its entire equity interest in SIL in 2002. The effect of the disposal are summarised as follows:

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
<b>NET ASSETS DISPOSED OF:</b>		
Property, plant and equipment	–	130,665,465
Land held for development	–	30,936,352
Inventories	–	25,006
Properties under development for sale	–	14,385,935
Trade and other receivables	–	4,299,201
Bank balances and cash	–	241,819
Trade and other payables	–	(35,510,065)
Tax payable	–	(8,516,039)
Obligations under finance leases	–	(898,904)
Bank and other loans	–	(79,741,583)
Deferred tax liabilities	–	(97,440)
Minority interests	–	(29,233,468)
	–	26,556,279
Exchange losses realised	–	27,080,997
	–	53,637,276
Loss on disposal of subsidiaries	–	(46,817,276)
	–	6,820,000
<b>SATISFIED BY:</b>		
Cash	–	682,000
Deferred consideration, included in other receivables	–	6,138,000
	–	6,820,000
<b>NET CASH INFLOW ARISING ON DISPOSAL:</b>		
Cash consideration	–	682,000
Bank balances and cash disposed of	–	(241,819)
	–	440,181



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

## 35. DISPOSAL OF SUBSIDIARIES (Continued)

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

The subsidiaries disposed of in 2002 contributed approximately HK\$11.1 million to the Group's turnover and contributed approximately HK\$1.8 million to the Group's loss from operations.

## 36. MAJOR NON-CASH TRANSACTION

In 2002, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$351,190.

## 37. PLEDGE OF ASSETS

At the balance sheet date:

- (a) bank loan facilities to the extent of approximately HK\$16.2 million (2002: HK\$22 million), of which HK\$16.2 million (2002: HK\$22 million) were utilised, are secured by the Group's investment properties in Hong Kong with an aggregate net book value of approximately HK\$47.8 million (2002: HK\$45.6 million);
- (b) margin trading facilities in respect of securities transactions to the extent of approximately HK\$7.0 million (2002: HK\$5.9 million), of which HK\$2.6 million (2002: HK\$4.6 million) were utilised, are secured by the listed investments of the Group and the Company of approximately HK\$14 million (2002: HK\$17 million) and HK\$13.7 million (2002: HK\$16.7 million), respectively;
- (c) overdraft and revolving loan facilities to the extent of approximately HK\$40.3 million (2002: HK\$46.2 million), of which HK\$13.3 million (2002: HK\$11.2 million) were utilised, are secured by time deposits held by the Company of approximately HK\$14.3 million (2002: HK\$6.6 million) and by a floating charge over all the asset of the Company;
- (d) banking facilities to the extent of approximately HK\$117.6 million (2002: HK\$115.5 million), of which HK\$116.3 million (2002: HK\$115.4 million) were utilised, are secured by:
  - (i) certain of the Group's investment properties in Singapore with an aggregate net book value of approximately HK\$118.5 million (2002: HK\$164.5 million); and
  - (ii) severally guaranteed by the Company and a director of the Company.
- (e) bank loan facilities of approximately HK\$0.3 million (2002: Nil) are secured by land use rights held by a subsidiary with net book value of approximately HK\$2.6 million (2002: Nil).
- (f) bank loan facilities borrowings of approximately HK\$0.9 million (2002: Nil) are secured by a blending machine held by a subsidiary with net book value of approximately HK\$2.5 million (2002: Nil).

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2003

**38. CONTINGENT LIABILITIES**

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Guarantees given to banks, in respect of banking facilities utilised by subsidiaries	–	–	<b>122,990,249</b>	130,944,432

**39. CAPITAL COMMITMENTS**

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Commitments contracted but not provided for in the financial statements in respect of capital contribution to a subsidiary	–	–	<b>9,678,271</b>	9,678,271

**40. OPERATING LEASE ARRANGEMENTS**

Property rental income earned during the year was HK\$8,926,389 (2002: HK\$10,232,263). The properties held have committed tenants for the next two years.

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

	2003 HK\$	2002 HK\$
Within one year	<b>1,755,000</b>	9,342,138
In the second to fifth year inclusive	<b>1,512,000</b>	4,874,526
	<b>3,267,000</b>	14,216,664

**41. RELATED PARTY TRANSACTIONS**

During the year, the Group has disposed of 10,000,000 shares in FEC with a carrying amount of HK\$3,650,000 to Far East Hotels & Entertainment Limited, a company which is controlled by certain directors of the Company, for a cash consideration of HK\$2,750,000.

In addition, the Group has entered into conditional sale and purchase agreements with certain related parties, details of which are set out in note 43.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

## 42. RETIREMENT BENEFITS SCHEMES

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

## 43. POST BALANCE SHEET EVENT

On 22nd December, 2003, the Group entered into conditional sale and purchase agreements, pursuant to which, inter alia, the Company and Mr. Dennis Chiu agreed to dispose of their entire interests in TCP to a wholly-owned subsidiary of FEC at a consideration of S\$1, and FEC agreed to procure the refinancing of the bank loan facility of S\$25 million obtained by TCP and to take over the net external trade and non-trade creditors of TCP of S\$1.1 million. TCP and its subsidiaries were incorporated in Singapore and held all of the Group's investment properties in Singapore. The transaction has had no material effect on the result of the Group.

Details of the transaction are set out in a circular of the Company dated 16th January, 2004. The transaction has been completed in February 2004.