1. CORPORATE INFORMATION

During the year, the Group was engaged in the following principal activities:

- property investment
- property development
- sale of online English learning courses
- leasing of equipment

2. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE

The following revised Hong Kong Statement of Standard Accounting Practice ("SSAPs") and related interpretation are effective for the first time for the current year's financial statements and have a significant impact thereon:

- SSAP 12 (Revised): "Income taxes"
- Interpretation 20: "Income taxes – Recovery of revalued non-depreciable assets"

This SSAP and the Interpretation prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting this SSAP and the Interpretation are summarised as follows:

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;

- a deferred tax liability has been recognised on the revaluation of the Group's investment properties;

- a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised; and

2. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE (CONTINUED)

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and
- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 9 and 23 to the financial statements and include a reconciliation between the accounting loss and the tax expense for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in note 3 and in note 23 to the financial statements.

Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. This policy has been applied by the Group in respect of the revaluation of its investment properties in the deferred tax calculated under SSAP 12.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2003. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 15 years. In the case of jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed assets and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the lease terms
Leasehold improvements	20%
Equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment properties revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Intangible assets

Intangible assets represent the rights to operate the leasing of equipment business. The operating rights are stated at cost less any accumulated amortisation and any impairment losses. Such costs are amortised on the straight-line basis, over the operating terms of the contractual arrangements of five years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and 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, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of completed properties for sale, when all of the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer;

(ii) from the pre-sale of properties under development, on the exchange of legally binding unconditional sale contracts, provided that the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined, and on the basis that revenue is recognised on the percentage of completion method, calculated by reference to the proportion of construction costs incurred up to the accounting date to the estimated total construction costs to completion, limited to the amount of sales deposits and instalments received and with due allowance for contingencies;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

(iii) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(iv) rental income, on a time proportion basis over the lease terms; and

(v) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Employee benefits

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheets until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which have lapsed, are deleted from the register of outstanding options.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the sale and pre-sale of properties segment engages in the construction of properties in the Mainland of the People's Republic of China ("Mainland China");

(b) the property investment segment invests in shopping centres located in Mainland China, for rental income potential;

(c) the corporate segment comprises corporate income and expense items;

(d) the "sale of online English learning courses" segment engages in sale of online English learning courses; and

(e) the leasing of equipment segment engages in the leasing of equipment.

4. SEGMENT INFORMATION (CONTINUED)

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

	Sale and pre-sale of properties		Property investment		Corporate		Sale of online English learning courses		Leasing of equipment		Consolidated	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000 (Restated)	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000 (Restated)
Segment revenue:												
Sales to external customers	–	165,799	3,219	5,912	–	–	1,379	800	909	–	5,507	172,511
Other revenue and gains – *note 6*	–	–	–	–	22,568	9,028	–	–	–	–	22,568	9,028
Total	–	165,799	3,219	5,912	22,568	9,028	1,379	800	909	–	28,075	181,539
Segment results	–	10,751	2,049	3,097	6,699	(10,846)	(20,825)	(7,474)	(781)	–	(12,858)	(4,472)
Interest income											315	99
Loss from operating activities											(12,543)	(4,373)
Finance costs											(2,563)	(6,301)
Share of losses of jointly-controlled entities and amortisation and impairment of goodwill on acquisition of jointly-controlled entities											(133,030)	(176,510)
Loss before tax											(148,136)	(187,184)
Tax											(126)	(12,564)
Loss before minority interests											(148,262)	(199,748)
Minority interests											–	7,340
Net loss from ordinary activities attributable to shareholders											(148,262)	(192,408)

4. SEGMENT INFORMATION (CONTINUED)

	Sale and pre-sale of properties		Property investment		Corporate		Sale of online English learning courses		Leasing of equipment		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Segment assets	**–**	–	**266,053**	272,374	**285,864**	353,320	**249**	645	**46,644**	–	**598,810**	626,339
Interests in jointly-controlled entities											**–**	138,903
Unallocated assets											**249**	353
Total assets											**599,059**	765,595
Segment liabilities	**–**	–	**43,939**	44,544	**176,333**	215,120	**36**	151	**–**	–	**220,308**	259,815
Unallocated liabilities											**23,164**	23,167
											243,472	282,982
Other segment information:												
Capital expenditure	**–**	206	**9**	–	**15**	39	**–**	14	**47,424**	–	**47,448**	259
Depreciation and amortisation	**–**	525	**273**	282	**122**	406	**3**	3	**1,689**	–	**2,087**	1,216
Unallocated amounts											**21,350**	21,350
											23,437	22,566
Impairment of goodwill recognised in the profit and loss account	**–**	–	**–**	–	**–**	–	**21,000**	7,000	**–**	–	**21,000**	7,000
Unallocated amounts											**111,680**	155,000
											132,680	162,000
Other non-cash expenses	**–**	–	**–**	–	**186**	–	**–**	–	**–**	–	**186**	–
Provision for an other receivable	**–**	–	**–**	–	**–**	–	**–**	3,994	**–**	–	**–**	3,994
Provision for amounts due from jointly-controlled entities	**–**	–	**–**	–	**5,873**	6,000	**–**	–	**–**	–	**5,873**	6,000
Surplus/(deficit) on revaluation of investment properties recognised directly in equity	**–**	9,364	**–**	(5,800)	**–**	–	**–**	–	**–**	–	**–**	3,564
Revaluation reserve released on disposal of investment properties	**–**	22,510	**–**	–	**–**	–	**–**	–	**–**	–	**–**	22,510

5. TURNOVER

Turnover represents the aggregate of the gross amounts of proceeds from the sale and pre-sale of properties, adjusted to reflect the stage of construction, to the extent that they were not previously recognised, the net invoiced value of goods sold, after allowances for returns and trade discounts, and gross rental income, after elimination of all significant intra-group transactions less any applicable turnover taxes.

	Group	
	2003	2002
	HK$'000	HK$'000
Sale and pre-sale of properties	**–**	165,799
Rental income from investment properties	**3,219**	5,912
Rental income from equipments held for operating lease purposes	**909**	–
Sale of online English learning courses	**1,379**	800
	5,507	172,511

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	2003 HK$'000	2002 HK$'000 (Restated)
Cost of inventories sold	**920**	102,180
Depreciation	**769**	1,216
Amortisation of intangible assets*	**1,318**	–
Impairment of goodwill arising during the year*	**21,000**	7,000
Minimum lease payments under operating leases on land and buildings	**1,784**	3,662
Staff costs (including directors' remuneration – *note 8*):		
Pension scheme contributions#	**127**	127
Wages and salaries	**3,858**	8,766
	3,985	8,893
Auditors' remuneration	**893**	1,108
Loss on disposal of fixed assets*	**3**	–
Write off of fixed assets*	**183**	–
Provision for amounts due from jointly-controlled entities*	**5,873**	6,000
Provision for an other receivable *	**–**	3,994
Gross and net rental income from investment properties	**(3,219)**	(5,912)
Exchange losses, net	**691**	879
Gain on disposal of interests in subsidiaries	**(22,568)**	(9,028)
Interest income	**(315)**	(99)

* *Included in "Other operating expenses" on the face of the consolidated profit and loss account.*

\# *At 31 December 2003, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2002: Nil).*

7. FINANCE COSTS

	Group 2003 HK$'000	Group 2002 HK$'000
Interest expense on bank loans and overdrafts wholly repayable within five years	**2,563**	13,261
Less: Interest capitalised on properties under development	**–**	(6,960)
	2,563	6,301

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration for the year, disclosed pursuant to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group 2003 HK$'000	Group 2002 HK$'000
Fees:		
Executive directors	**720**	840
Independent non-executive directors	**180**	430
	900	1,270
Other executive directors' emoluments:		
Salaries, allowances and benefits in kind	**647**	2,102
Pension scheme contributions	**36**	42
	1,583	3,414

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2003	2002
Nil – HK$1,000,000	**6**	8
HK$1,000,001 – HK$1,500,000	**–**	1
	6	9

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

Five highest paid employees

The five highest paid employees during the year included two (2002: one) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining three (2002: four) non-director, highest paid employees for the year are as follows:

	Group	
	2003 HK$'000	2002 HK$'000
Salaries, allowances and benefits in kind	**1,108**	2,820
Pension scheme contributions	**36**	41
	1,144	2,861

The remuneration of the remaining three (2002: four) non-director, highest paid employees fell within the following bands:

	Number of employees	
	2003	2002
Nil – HK$1,000,000	**3**	3
HK$1,500,001 – HK$2,000,000	**–**	1
	3	4

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

During the year, no share options were granted to the directors or the three non-director, highest paid employees in respect of their services to the Group. Further details of the share option schemes of the Company are set out in note 25 to the financial statements.

During the year, no emoluments were paid by the Group to the directors or the three non-director, highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

9. TAX

	Group	
	2003	2002
	HK$'000	HK$'000
		(Restated)
Provision for the year:		
Current – Hong Kong	**22**	–
Elsewhere	**–**	12,048
Deferred *(note 23)*	**104**	516
Total tax charge for the year	**126**	12,564

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the year. The applicable Hong Kong profits tax rate for the prior year was 16.0%. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003.

No provision for Hong Kong profits tax had been made as the Group did not generate any taxable profits in Hong Kong during the year ended 31 December 2002. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. The subsidiaries established in the People's Republic of China are subject to income taxes at tax rate of 33%.

9. TAX (CONTINUED)

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2003

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(147,670)		(466)		(148,136)	
Calculated at the statutory tax rate	(25,842)	(17.5)	(154)	(33.0)	(25,996)	(17.6)
Income not subject to tax	(4,012)	(2.7)	–	–	(4,012)	(2.7)
Expenses not deductible for tax	28,166	19.1	362	77.6	28,528	19.2
Tax losses not recognised	1,710	1.1	–	–	1,710	1.1
Tax losses utilised from previous periods	–	–	(104)	(22.3)	(104)	–
Tax charge at the Group's effective rate	22	–	104	22.3	126	–

Group - 2002

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(191,834)		4,650		(187,184)	
Tax at the statutory tax rate	(30,693)	(16.0)	1,535	33.0	(29,158)	(15.6)
Income not subject to tax	(4,225)	(2.2)	–	–	(4,225)	(2.2)
Expenses not deductible for tax	34,762	18.1	11,545	248.3	46,307	24.7
Tax losses not recognised	156	0.1	–	–	156	0.1
Tax losses utilised from previous periods	–	–	(516)	(11.1)	(516)	(0.3)
Tax charge at the Group's effective rate	–	–	12,564	270.2	12,564	6.7

10. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company is HK$138,832,000 (2002: HK$214,900,000) (note 26).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$148,262,000 (2002: HK$192,408,000 (as restated)) and the weighted average of 2,980,016,725 (2002: 2,980,016,725) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 December 2003 and 2002 has not been disclosed as the potential ordinary shares outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

12 FIXED ASSETS

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:						
At 1 January 2003	7,645	573	648	761	637	10,264
Additions	–	3	10,428	17	–	10,448
Disposals	–	–	–	(9)	–	(9)
Write off	–	(539)	(1)	(76)	–	(616)
Exchange realignment	(31)	–	(1)	(5)	–	(37)
At 31 December 2003	**7,614**	**37**	**11,074**	**688**	**637**	**20,050**
Accumulated depreciation:						
At 1 January 2003	511	366	410	652	587	2,526
Provided during the year	211	43	453	38	24	769
Disposals	–	–	–	(6)	–	(6)
Write back	–	(380)	–	(53)	–	(433)
Exchange realignment	(2)	–	(1)	(4)	–	(7)
At 31 December 2003	**720**	**29**	**862**	**627**	**611**	**2,849**
Net book value:						
At 31 December 2003	**6,894**	**8**	**10,212**	**61**	**26**	**17,201**
At 31 December 2002	7,134	207	238	109	50	7,738

12. FIXED ASSETS (CONTINUED)

Company

	Leasehold improvements HK$'000	Equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
At cost:				
At 1 January 2003	573	460	577	1,610
Additions	3	–	13	16
Write off	(539)	(1)	(76)	(616)
At 31 December 2003	**37**	**459**	**514**	**1,010**
Accumulated depreciation:				
At 1 January 2003	366	263	532	1,161
Provided during the year	43	64	14	121
Write back	(380)	–	(53)	(433)
At 31 December 2003	**29**	**327**	**493**	**849**
Net book value:				
At 31 December 2003	**8**	**132**	**21**	**161**
At 31 December 2002	207	197	45	449

Included in the total amount of the Group's Equipment, there are 2,482 point-of-sale equipment (the "POS Equipment") held for leasing purposes with cost of HK$10,424,000 (2002: Nil) and accumulated depreciation of HK$371,000 (2002: Nil). The POS Equipment was transferred from Easy-Link Technology Services Co., Ltd. to the Group, and was installed by Guangzhou Easylink Pay Network Co., Ltd. in the department stores and shops located in Mainland China, during the year ended 31 December 2003.

The Group's land and buildings included above are held under medium term leases in Mainland China.

13. INVESTMENT PROPERTIES

	Group	
	2003	2002
	HK$'000	HK$'000
At 1 January	**183,600**	408,200
Revaluation surplus – *note 26*	**–**	3,564
Disposals	**–**	(40,164)
Disposal of subsidiaries	**–**	(188,000)
At 31 December, at valuation	**183,600**	183,600

The investment properties are held under medium term land use rights in Mainland China.

The investment properties were revalued by Chesterton Petty Limited, an independent firm of professionally qualified valuers, on an open market value, existing use basis as at 31 December 2003.

At the balance sheet date, certain of the Group's investment properties were pledged to secure general banking facilities granted to the Group as set out in note 22 to the financial statements.

14. INTANGIBLE ASSETS

Group

	Operating rights
	HK$'000
Cost:	
At beginning of year	–
Additions	37,000
At 31 December 2003	**37,000**
Accumulated amortisation:	
At beginning of year	–
Provided during the year	1,318
At 31 December 2003	**1,318**
Net book value:	
At 31 December 2003	**35,682**
At 31 December 2002	–

15. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	HK$'000
Unlisted shares, at cost	**467,158**	467,158
Provision for impairment	**(176,940)**	(47,800)
	290,218	419,358
Due from subsidiaries	**286,875**	298,126
Provision against amounts due from subsidiaries	**(215,841)**	(215,841)
	71,034	82,285
	361,252	501,643

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

15. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company 2003	2002	Principal activities
Directly held					
China Land Realty Investment (BVI) Limited	British Virgin Islands/ Hong Kong	US$11,204 Ordinary	**100**	100	Investment holding
Indirectly held					
Chongqing Smart Hero Real Estate Development Company Limited ("CQ Smart Hero")	Mainland China	US$2,000,000 Registered capital (Note a)	**100**	100	Property development, holding and management
Ever Brian Inc. ("Ever Brian")	British Virgin Islands/ Mainland China	US$1 Ordinary	**100**	100	Sale of online English learning courses
I-Action Agents Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	**100**	100	Investment holding
Smart Hero (Holdings) Limited	Hong Kong	HK$2 Ordinary, HK$300 Non-voting deferred (Note b)	**100**	100	Investment holding
Proland International Technology Limited	Hong Kong	HK$2	**100**	100	Investment holding
Guangzhou Proland Electrical Technology Limited ("GZ Proland")	Mainland China	HK$1,500,000 Registered capital *(Note a)*	**100**	100	Leasing of equipment

15. INTERESTS IN SUBSIDIARIES (CONTINUED)

Notes:

a. CQ Smart Hero and GZ Proland are wholly foreign owned enterprises established in the People's Republic of China. They have registered capitals of US$2,000,000 and HK$1,500,000, respectively, of which US$2,000,000 and nil, respectively, which were paid-up as at 31 December 2003. The registered capital of GZ Proland was fully paid-up subsequent to the balance sheet date.

b. The non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the company, or to participate in any distribution on winding-up.

The above table lists the subsidiaries of the Company as at 31 December 2003 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As detailed in note 3 to the financial statements, upon the adoption of SSAP 30 in 2001, the Group applied the transitional provision of SSAP 30 that permitted goodwill in respect of acquisition which occurred prior to the adoption of the SSAP, to remain eliminated against consolidated retained profits/accumulated losses.

The movements of the goodwill remaining in consolidated accumulated losses as at 31 December 2003, arising from the acquisition of a subsidiary prior to the adoption of SSAP 30 in 2001, are as follows:

	HK$'000
Cost:	
At 1 January and 31 December 2003	35,000
Accumulated impairment:	
At 1 January 2003	7,000
Impairment provided during the year	21,000
At 31 December 2003	**28,000**
Net amount:	
At 31 December 2003	**7,000**
At 31 December 2002	28,000

Ever Brian, an indirectly held wholly-owned subsidiary of the Company, is engaged in the sale of online English courses in Mainland China.

15. INTERESTS IN SUBSIDIARIES (CONTINUED)

The performance of Ever Brian for the year was below the original business plan. The directors have evaluated the business activity and future performance of the business of Ever Brian and considered that the goodwill arising from the acquisition of Ever Brian was impaired. A business valuation of Ever Brian was performed by an independent firm of professionally qualified valuers as at the balance sheet date. Based on the valuation to assess the value in use, the Group has recognised an impairment loss for goodwill attributable to the Group's equity interest in Ever Brian of HK$21,000,000 in the profit and loss account for the year ended 31 December 2003.

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2003	2002
	HK$'000	HK$'000
Share of net assets	**–**	–
Goodwill on acquisition	**–**	133,030
Due from jointly-controlled entities	**11,873**	11,873
Less: Provision against amounts due from jointly-controlled entities	**(11,873)**	(6,000)
	–	138,903

The amounts due from jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

The movements of the goodwill capitalised as an asset arising from the acquisition of jointly-controlled entities are as follows:

Group

	HK$'000
Cost:	
At 1 January and 31 December 2003	320,250
Accumulated amortisation and impairment:	
At 1 January 2003	187,220
Provided during the year	21,350
Impairment provided during the year	111,680
At 31 December 2003	**320,250**
Net book value:	
At 31 December 2003	**–**
At 31 December 2002	133,030

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (CONTINUED)

世聯匯通信息科技有限公司 ("Shi Lian"), an indirectly held jointly-controlled entity of the Group, is engaged in the provision of technology consultancy services for a phone payment system operating in Mainland China.

The operation of Shi Lian has incurred losses since 2001. The directors have evaluated the business activity and future performance of the business of Shi Lian and considered that the goodwill arising from the acquisition of the jointly-controlled entities was impaired. A business valuation of Shi Lian was performed by an independent firm of professionally qualified valuers as at the balance sheet date. Based on the valuation, the Group has recognised an impairment loss for goodwill attributable to the Group's equity interest in Shi Lian of HK$111,680,000 in the profit and loss account for the year ended 31 December 2003.

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
I-Mall Investments Limited	Corporate	British Virgin Islands	68.6	33.3	68.6	Investment holding
B2B Market Investments Limited	Corporate	British Virgin Islands	35.0	33.3	35.0	Investment holding
Cyber Union Enterprise Limited	Corporate	Hong Kong	35.0	50.0	35.0	Investment holding
Shi Lian	Corporate	Mainland China	35.0	33.3	35.0	Provision of technology consultancy services

All of the above investments in jointly-controlled entities are indirectly held by the Company.

The above jointly-controlled entities were held through I-Action Agents Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

17. TRADE RECEIVABLES

An aged analysis of the trade receivables at the balance sheet date is as follows:

	Group			
	2003		2002	
	HK$'000	**Percentage**	HK$'000	Percentage
Within 6 months	**3,957**	**20**	4,132	21
More than 6 months but within 1 year	**–**	**–**	9	–
More than 1 year but within 2 years	**3,956**	**20**	–	–
Not due as at 31 December	**11,869**	**60**	15,889	79
	19,782	**100**	20,030	100
Portion classified as current assets	**(11,869)**		(8,113)	
Non-current assets	**7,913**		11,917	

The Group generally grants a credit term of three months to its customers.

The Group's trade receivables are aged based on the due date of instalments as stipulated in the sale contracts.

The legal titles of the properties sold are retained by the Group until the contracted amounts and related expenses of the property have been fully settled.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current assets:				
Other receivable[#]	**230,000**	280,000	**–**	–
Current assets:				
Prepayments	**93**	152	**89**	148
Deposits and other receivables[#]	**70,587**	91,762	**449**	5,092
	70,680	91,914	**538**	5,240

[#] Other receivables of HK$330,000,000 as at 31 December 2002 represented the third, fourth and fifth instalment receivables arising on the disposal of certain subsidiaries during the year ended 31 December 2002 (note 27(a)). The instalment receivables are not yet due as at 31 December 2002 and the third instalment receivable of HK$50,000,000 was due and repaid during the year ended 31 December 2003. The fourth and fifth instalment receivables of HK$280,000,000 are not yet due as at 31 December 2003. Subsequent to the year end, a total of HK$190,000,000 was settled.

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

At 31 December 2003, bank deposits of approximately HK$553,000 (2002: HK$2,200,000) were pledged to a bank to secure mortgage loans granted by the bank to certain purchasers of the Group's properties.

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$38,259,000 (2002: HK$40,626,000). The RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

20. TRADE PAYABLES

An aged analysis of the trade payables at the balance sheet date is as follows:

	Group			
	2003		2002	
	HK$'000	Percentage	HK$'000	Percentage
Within 6 months	251	1	664	2
More than 6 months but within 1 year	5	–	83	–
More than 1 year but within 2 years	204	1	8,670	23
More than 2 years but within 3 years	8,092	23	21	–
Over 3 years	26,373	75	28,226	75
	34,925	100	37,664	100

The Group's trade payables are aged based on the date of the goods received or services rendered.

21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2003	2002	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000
Other payables	8,242	7,364	583	–
Accruals	9,708	14,705	5,272	10,471
	17,950	22,069	5,855	10,471

22. INTEREST-BEARING BANK LOANS

	Group 2003 HK$'000	Group 2002 HK$'000
Bank loans:		
Secured	**36,657**	40,888
Unsecured	**4,388**	10,238
	41,045	51,126
Bank loans repayable:		
Within one year or on demand	**8,857**	10,974
In the second year	**4,710**	9,512
In the third to fifth years, inclusive	**15,706**	15,372
Beyond five years	**11,772**	15,268
	41,045	51,126
Current portion	**(8,857)**	(10,974)
Non-current portion	**32,188**	40,152

The Group had bank loan facilities amounting to HK$41,045,000 (2002: HK$52,700,000), of which approximately HK$41,045,000 (2002: HK$51,126,000) had been utilised at the balance sheet date. The bank loans were supported by certain of the Group's investment properties and a corporate guarantee executed by the Company.

23. DEFERRED TAX

The movement in deferred tax liabilities and assets during the year is as follows:

Deferred tax liabilities

Group

	Revaluation of investment properties HK$'000
At 1 January 2003	
As previously reported	–
Prior year adjustment:	
SSAP 12 – restatement of deferred tax	14,497
As restated and at 31 December 2003	**14,497**

Deferred tax assets

Group

	Losses available for offset against future taxable profit HK$'000
At 1 January 2003	
As previously reported	–
Prior year adjustment:	
SSAP 12 – restatement of deferred tax	353
As restated	353
Deferred tax charged to the profit and loss account *(note 9)*	(104)
Gross deferred tax assets at 31 December 2003	**249**
Net deferred tax liabilities at 31 December 2003	**14,248**

23. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

Group

	Revaluation of investment properties HK$'000
At 1 January 2002	
As previously reported	–
Prior year adjustment:	
SSAP 12 – restatement of deferred tax	47,123
As restated	47,123
Deferred tax credited to equity	(5,696)
Disposal of subsidiaries *(note 27(a))*	(26,930)
At 31 December 2002	14,497

Deferred tax assets

Group

	Losses available for offset against future taxable profit HK$'000
At 1 January 2002	
As previously reported	–
Prior year adjustment:	
SSAP 12 – restatement of deferred tax	5,732
As restated	5,732
Deferred tax charged to the profit and loss account *(note 9)*	(516)
Disposal of subsidiaries *(note 27(a))*	(4,863)
Gross deferred tax assets at 31 December 2002	**353**
Net deferred tax liabilities at 31 December 2002	**14,144**

23. DEFERRED TAX (CONTINUED)

The Group has tax losses arising in Hong Kong of HK$9,771,000 (2002: HK$975,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in Group companies that have been loss-making for some time.

At 31 December 2003, there was no significant unrecognised deferred tax liability (2002: Nil) for taxes that would have been payable on the unremitted earnings of certain of the Group's subsidiaries or jointly-controlled entities as the Group had no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

SSAP 12 (revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has resulted in an increase in the Group's net deferred tax liability as at 31 December 2003 and 2002 by HK$14,248,000 and HK$14,144,000, respectively. As a consequence, the consolidated net loss attributable to shareholders for the years ended 31 December 2003 and 2002 have been increased by HK$459,000 and HK$658,000, respectively, and the consolidated retained profits at 1 January 2003 and 2002 have been increased by HK$2,691,000 and HK$3,349,000, respectively, as detailed in the consolidated summary statement of changes in equity and note 26.

24. SHARE CAPITAL

Shares

	2003 HK$'000	2002 HK$'000
Authorised:		
6,000,000,000 ordinary shares of HK$0.02 each	**120,000**	120,000
Issued and fully paid:		
2,980,016,725 ordinary shares of HK$0.02 each	**59,600**	59,600

Share options

Details of the Company's share option schemes and the share options issued under one of the schemes are included in note 25 to the financial statements.

25. SHARE OPTION SCHEMES

The Company's share option scheme which was adopted on 19 September 1997 (the "Old Scheme") was terminated and replaced by a new share option scheme at the special general meeting held on 11 June 2002 (the "New Scheme"). The options granted under the Old Scheme remain exercisable within the respective exercise period. During the year, no share options were granted or exercised under the Old Scheme or the New Scheme.

Summaries of the Old Scheme and the New Scheme are set out below:

(1) Old Scheme

The principal purpose of the Old Scheme is to recognise the significant contributions of the directors and employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give an incentive to these persons to continue to contribute to the Group's long term success and prosperity.

Eligible participants of the Old Scheme are the executive directors and full-time employees of the Group. The Old Scheme became effective on 19 September 1997 and, unless otherwise cancelled or amended, will remain in force for ten years from that date. These share options granted under the Old Scheme are exercisable at any time for a period from the commencement date and expiring on the last day of the period to be determined by the board of directors, or the tenth anniversary of the adoption date on 19 September 1997, whichever is the earlier.

At 31 December 2003, the number of shares issuable under share options granted under the Old Scheme was 90,500,000, which represented approximately 3% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Old Scheme within any 12-month period, is limited to 2.5% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted in writing within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than three years from the date of the commencement of the exercise period of the share options or the expiry date of the Old Scheme, if earlier.

25. SHARE OPTION SCHEMES (CONTINUED)

(1) Old Scheme (Continued)

The exercise price of the share options is determinable by the directors, but may not be less than 80% of the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of offer or the nominal value of the Company's shares, whichever is higher.

The following share options were outstanding under the Old Scheme during the year:

	Number of share options					
Name or category of participant	At 1 January 2003	Lapsed during the year	At 31 December 2003	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$
Directors						
Ho Tsam Hung	27,500,000	–	27,500,000	1 June 2001	1 December 2001 to 1 December 2004	0.1395
Ho Pak Hung	27,500,000	–	27,500,000	1 June 2001	1 December 2001 to 1 December 2004	0.1395
Ho Kam Hung	27,500,000	–	27,500,000	1 June 2001	1 December 2001 to 1 December 2004	0.1395
	82,500,000	–	82,500,000			
Other employees						
In aggregate	8,000,000	–	8,000,000	1 June 2001	1 December 2001 to 1 December 2004	0.1395
	90,500,000	–	90,500,000			

* *The vesting period of the share options is from the date of the grant until the commencement of the exercise period.*

** *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

25. SHARE OPTION SCHEMES (CONTINUED)

(1) Old Scheme (Continued)

At the balance sheet date, the Company had 90,500,000 share options outstanding under the Old Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 90,500,000 additional ordinary shares of the Company and additional share capital of HK$1,810,000 and share premium of HK$10,814,750 (before issue expenses).

(2) New Scheme

The principal purpose of the New Scheme is to provide eligible participants with the opportunity to acquire proprietary interests in the Company and as an incentive to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Eligible participants of the New Scheme include all directors, employees, any entity in which the Group holds an equity interest (the "Invested Entity"), consultants, advisors, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, any shareholder of any member of the Group or any Invested Entity and holders of securities issued by the Group or any Invested Entity. The New Scheme became effective on 11 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive, a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

25. SHARE OPTION SCHEMES (CONTINUED)

(2) New Scheme (Continued)

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors. No options will be exercisable ten years after the date of the offer of the share options or the expiry date of the New Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not less than the highest of (i) the nominal value of the ordinary shares of the Company on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; and (iii) the average closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

Up to the date of approval of the financial statements, no share options have been granted under the New Scheme.

26. RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Investment properties revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2002						
As previously reported	220,002	80,258	205,889	9,374	263,720	779,243
Prior year adjustment: SSAP 12 – restatement of deferred tax	–	–	(47,123)	–	3,349	(43,774)
As restated	220,002	80,258	158,766	9,374	267,069	735,469
Exchange adjustment on translation of the financial statements of overseas subsidiaries	–	–	–	35	–	35
Disposal of subsidiaries – *note 27(a)* (as restated)	–	–	(98,521)	(9,281)	–	(107,802)
Revaluation reserve released on disposal of investment properties (as restated)	–	–	(22,510)	–	–	(22,510)
Surplus on revaluation of investment properties	–	–	3,564	–	–	3,564
Impairment of goodwill remaining eliminated against consolidated retained profits	–	–	–	–	7,000	7,000
Deferred tax adjustment on revaluation of investment properties	–	–	(335)	–	–	(335)
Net loss for the year (as restated)	–	–	–	–	(192,408)	(192,408)
At 31 December 2002	220,002	80,258	40,964	128	81,661	423,013
At 1 January 2003						
As previously reported	220,002	80,258	55,461	128	78,970	434,819
Prior year adjustment: SSAP 12 – restatement of deferred tax	–	–	(14,497)	–	2,691	(11,806)
As restated	220,002	80,258	40,964	128	81,661	423,013
Exchange adjustment on translation of the financial statements of overseas subsidiaries	–	–	–	236	–	236
Impairment of goodwill remaining eliminated against consolidated retained profits	–	–	–	–	21,000	21,000
Net loss for the year	–	–	–	–	(148,262)	(148,262)
At 31 December 2003	**220,002**	**80,258**	**40,964**	**364**	**(45,601)**	**295,987**
Reserves retained by/ (losses accumulated in):						
Company and subsidiaries	220,002	80,258	40,964	364	(45,333)	296,255
Jointly-controlled entities	–	–	–	–	(268)	(268)
At 31 December 2003	**220,002**	**80,258**	**40,964**	**364**	**(45,601)**	**295,987**
Company and subsidiaries	220,002	80,258	40,964	128	81,929	423,281
Jointly-controlled entities	–	–	–	–	(268)	(268)
At 31 December 2002	220,002	80,258	40,964	128	81,661	423,013

26. RESERVES (CONTINUED)

Notes:

(a) The amount of goodwill arising on the acquisition of a subsidiary in prior years of HK$7,000,000, after provision for impairment of HK$28,000,000, as at 31 December 2003, remained eliminated against consolidated retained profits as explained in note 15 to the financial statements.

(b) The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor.

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2002	220,002	547,326	(117,609)	649,719
Net loss for the year	–	–	(214,900)	(214,900)
At 31 December 2002 and 1 January 2003	220,002	547,326	(332,509)	434,819
Net loss for the year	–	–	(138,832)	(138,832)
At 31 December 2003	**220,002**	**547,326**	**(471,341)**	**295,987**

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	Notes	**2003 HK$'000**	2002 HK$'000 (Restated)
Net assets disposed of:			
Fixed assets		–	1,745
Investment properties		–	188,000
Properties under development		–	395,033
Deferred tax assets	*23*	–	4,863
Completed properties for sale		–	96,670
Cash and bank balances		–	8,821
Trade receivables		–	116,698
Prepayments, deposits and other receivables		–	314,724
Trade payables		–	(52,945)
Other payables and accruals		–	(100,863)
Interest-bearing bank loans		–	(187,282)
Deferred tax liabilities	*23*	–	(26,930)
Tax payable		–	(157,782)
Minority interests		–	(300,934)
		–	299,818
Exchange fluctuation reserve released on disposal		–	(9,281)
Revaluation reserve released on disposal		–	(98,521)
Gain on disposal of subsidiaries		–	157,984
Consideration		–	350,000
Satisfied by:			
Cash and other receivables		–	120,000
Property units		–	230,000
Total Consideration		–	350,000

The total consideration of HK$350,000,000 was to be settled in five instalments. The first and second instalments of a total of HK$20,000,000 were settled in cash before 31 December 2002. The third instalment of HK$50,000,000 was settled in cash before 31 December 2003 and the fourth instalment of HK$50,000,000 will be settled in cash by 31 March 2004. The fifth instalment of HK$230,000,000 was to be settled on or before a date falling on the first day immediately after expiration of the thirtieth month after 31 December 2002. The total gain on disposal of HK$157,984,000 (as restated) was recognised in line with the settlement schedule of the consideration. Deferred income in respect of gain on disposal of interests in subsidiaries recognised in the consolidated profit and loss account during the year is HK$22,568,000 (2002: HK$9,028,000 (as restated)). The remaining deferred income was included in the consolidated balance sheet as to current and non-current portion of HK$22,568,000 (2002: HK$22,568,000) and HK$103,820,000 (2002: HK$126,388,000 (as restated)), respectively.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(a) Disposal of subsidiaries (Continued)

Pursuant to a supplementary agreement entered into subsequent to 31 December 2003, the settlement terms of the fifth instalment is changed as further detailed in note 32(b) to the financial statements.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2003 HK$'000	2002 HK$'000
Cash consideration	–	20,000
Cash and bank balances disposed of	–	(8,821)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	11,179

The results of the subsidiaries disposed of during the year ended 31 December 2002 contributed HK$168 million and HK$1 million to the Group's consolidated turnover and loss after tax for that year.

(b) Major non-cash transactions

(1) During the year ended 31 December 2002, the Group disposed of its entire 51% interest in Ample Dragon Limited to an independent third party for a consideration of HK$350,000,000. Instalment receivables arising thereon of HK$330,000,000 are included in "Other receivables" in the consolidated balance sheet (note 18), of which HK$230,000,000 will be satisfied by certain property units which were yet to be developed as at 31 December 2002.

(2) During the year ended 31 December 2002, the Group disposed of certain of its investment properties for a consideration of HK$54,815,000. Part of the consideration of approximately HK$29,607,000 was settled by setting off against accounts payable in respect of certain expenditures incurred by the Group. A further part of the consideration of approximately HK$11,308,000 was settled in cash and the remaining balance of approximately HK$13,900,000 was included in the net assets of the subsidiaries disposed of in 2002 as set out in note 27(a) above.

28. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties	**5,529**	22,006	**–**	–
Guarantees given to a bank in respect of facilities utilised by certain subsidiaries	**–**	–	**41,045**	51,126
	5,529	22,006	**41,045**	51,126

29. PLEDGE OF ASSETS

Details of the Group's bank loans secured by the assets of the Group are included in note 22 to the financial statements.

30. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital commitments in respect of property development projects: Contracted, but not provided for	**35,902**	35,902	**–**	–
Capital commitment in respect of capital contribution to a subsidiary: Contracted, but not provided for	**1,500**	1,500	**–**	–
	37,402	37,402	**–**	–

(b) Commitments under operating leases

(i) As lessor

The Group leases certain of its investment properties and POS Equipment under operating lease arrangements with leases negotiated for terms of two years and five years, respectively.

At 31 December 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within one year	**9,736**	2,261
In the second to fifth years, inclusive	**20,038**	–
	29,774	2,261

30. COMMITMENTS (CONTINUED)

(b) Commitments under operating leases (Continued)

(ii) As lessee

The Group leases its office properties in Hong Kong under operating lease arrangements with leases negotiated for terms ranging from one to two years.

At 31 December 2003, the Company and the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**549**	973	**–**	963
In the second to fifth years, inclusive	**183**	–	**–**	–
	732	973	**–**	963

31. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following connected and related party transactions during the year:

On 31 December 2002, Ho Tsam Hung, a director of the Company, entered into an agreement with the Company to indemnify the Company from any losses arising from certain other receivables totalling approximately HK$17,164,000. The full amount of the said other receivables has been included in the consolidated balance sheet as at 31 December 2002. The indemnity covered the period from 1 January 2003 to 31 December 2003. These other receivables were fully settled subsequent to year end.

32. POST BALANCE SHEET EVENTS

(a) Pursuant to an agreement dated 26 March 2004 (the "Agreement") entered into between China Land Realty Investment (BVI) Limited ("CLRIL"), a wholly-owned subsidiary of the Company and Mr. Man O Fu, an independent third party (the "Vendor"), CLRIL agreed to acquire from the Vendor the entire issued share capital (the "Sale Share") of Telesuccess International Limited, ("TIL"), a company incorporated in the British Virgin Islands. The sole asset of TIL is its 80.9% equity interest in Guangzhou Sky City Network Communication Ltd., a sino-foreign co-operative joint venture set up in the PRC.

The consideration for the Sale Share is HK$200,000,000 which will be satisfied as to HK$140,000,000 by cash and as to the remaining HK$60,000,000 by the issue and allotment of 464,396,284 new shares (the "Consideration Shares") at an issue price of HK$0.1292 per share by the Company to the Vendor.

The proposed acquisition of the Sale Share constitutes a major transaction for the Company under Rule 14.09 of the Listing Rules. Further details of the transaction are set out in the Company's announcement dated 1 April 2004.

At the date of these financial statements, the Agreement remained conditional, subject to the satisfaction of the conditions as set out in the Agreement.

(b) On 26 March 2004, CLRIL entered into a supplementary agreement (the "Supplementary Agreement") with Guangdong Properties Investment Ltd. ("GD Properties"), a company incorporated in the British Virgin Islands. CLRIL as seller and GD Properties as purchaser entered into the sale and purchase agreement dated 25 October 2002 in relation to the disposal by CLRIL of 51% of the entire issued share capital of Ample Dragon Limited for a total consideration of HK$350 million, including HK$120 million in cash and the receiving of the completed units (including completed residential units and car-parking spaces) by CLRIL with the valuation of no less than HK$230 million.

Pursuant to the Supplementary Agreement, CLRIL and GD Properties agreed that the balance of the consideration of HK$230 million, instead of being satisfied by delivering the completed units, shall be satisfied by GD Properties paying the CLRIL HK$230 million in cash (the "Cash Consideration"). The Cash Consideration was paid on 23 April 2004 of approximately HK$140 million and the balance thereof will be paid on or before 26 January 2005.

33. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of a revised SSAP during the current year, the accounting treatment and presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 April 2004.