

Notes to the Financial Statements

For the year ended 30 June 2004

1. GENERAL

The Company was incorporated in Bermuda under the Bermuda Companies Act 1981 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activity of the Company is investment holding. The Group is principally engaged in trade related operations, travel related operations and property investment.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the term of HKFRS is inclusive of Statements of Standard Accounting Practice (“SSAPs”) and Interpretations approved by the HKICPA:

SSAP 12 (Revised) Income taxes

Income taxes

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly.

As a result of this change in policy, the balance on the Group’s property revaluation reserve at 30 June 2003 has been decreased by HK\$5,368,000 and the Group’s deferred taxation liability has been increased by HK\$5,368,000, which is the cumulative effect to the change in financial position for the periods prior to 30 June 2003.

Notes to the Financial Statements

For the year ended 30 June 2004

3. 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.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year.

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

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

Goodwill

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

Goodwill is capitalised and amortised on a straight-line basis over its estimated useful economic life.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

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

Notes to the Financial Statements For the year ended 30 June 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Service income is recognised when the services are rendered.

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

Property rental income under operating leases is recognised on a straight line basis over the terms of the relevant lease.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses, if any.

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

Leasehold improvements	Over the shorter of the term of the leases, or 5 years
Furniture, fixtures and office equipment	15% to 20%
Motor vehicles	18%

The gain or loss arising from 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 30 June 2004

3. 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 surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit 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 in respect of investment properties which are held on leases with unexpired terms, including the renewable period, of more than twenty years.

Investments in securities

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

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 identified impairment loss.

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

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.

Notes to the Financial Statements

For the year ended 30 June 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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.

Taxation

Income tax expense 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 periods 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 amount 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 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.

Notes to the Financial Statements

For the year ended 30 June 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to 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.

Foreign currencies

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

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. 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.

Retirement benefits costs

Payments to defined contribution retirement benefit plans are charged as expenses as they fall due.

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three operating divisions – trade related operations, travel related operations and property investment. These principal operating activities are the basis on which the Group reports its primary segment information.

Notes to the Financial Statements

For the year ended 30 June 2004

4. SEGMENT INFORMATION (continued)

Segment information about these businesses is presented below:

INCOME STATEMENT

	Trade related operations		Travel related operations		Property investment		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	152,770	2,415	832	531	7,358	1,047	160,960	3,993
Segment results	(667)	(5,040)	(7,539)	(41)	7,281	1,029	(925)	(4,052)
Other operating income							2,017	894
Unallocated corporate expenses							(3,817)	(12,470)
Loss on disposal of other investments							(2,346)	(7,884)
Impairment loss recognised in respect of investment securities							-	(650)
Loss from operations							(5,071)	(24,162)
Finance costs							(4,637)	(4)
Gain on disposal of a subsidiary	2,055	-	-	-	-	-	2,055	-
Loss before taxation							(7,653)	(24,166)
Taxation							-	-
Loss before minority interests							(7,653)	(24,166)
Minority interests							471	37
Net loss for the year							(7,182)	(24,129)

Notes to the Financial Statements

For the year ended 30 June 2004

4. SEGMENT INFORMATION (continued)

BALANCE SHEET

	Trade related operations		Travel related operations		Property investment		Consolidated		
	2004	2003	2004	2003	2004	2003	2004	2003	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
									(restated)
ASSETS									
Segment assets	136,577	5,154	72	3	284,518	268,868	421,167	274,025	
Unallocated corporate assets							20,198	21,404	
Consolidated total assets							441,365	295,429	
LIABILITIES									
Segment liabilities	4,147	1,286	30	-	14	-	4,191	1,286	
Unallocated corporate liabilities							179,314	34,197	
Consolidated total liabilities							183,505	35,483	

OTHER INFORMATION

	Trade related operations		Travel related operations		Property investment		Unallocated		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions of property, plant and equipment	635	1,190	-	-	-	-	-	-	635	1,190
Depreciation of property, plant and equipment	396	277	-	-	-	-	206	335	602	612

Notes to the Financial Statements For the year ended 30 June 2004

4. SEGMENT INFORMATION (continued)

Geographical segments

The Group's operations are mainly located in the People's Republic of China ("PRC").

5. LOSS FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Auditors' remuneration	280	230
Depreciation included in administrative expenses	602	612
Amortisation of goodwill included in administrative expenses	10	10
Staff costs (including directors' remuneration, note 7)		
Salaries and other benefits	8,515	7,691
Retirement benefits scheme contributions	355	445
	8,870	8,136
Operating lease rentals in respect of office premises	1,995	1,493
Rental income from investment properties	(7,358)	(1,047)
Bank interest income	(780)	(584)
Net foreign exchange gain	(2)	(151)

6. FINANCE COSTS

The amount represents interest on bank borrowings wholly repayable within five years.

Notes to the Financial Statements

For the year ended 30 June 2004

7. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

(i) Directors' emoluments

	2004 HK\$'000	2003 HK\$'000
Fees		
Executive directors	657	333
Independent non-executive directors	188	315
Other emoluments to executive directors:		
Salaries and other benefits	5,553	5,196
Retirement benefits scheme contributions	191	178
	6,589	6,022

The emoluments of the directors were within the following bands:

	2004 Number of directors	2003 Number of directors
Nil to HK\$1,000,000	4	5
HK\$1,000,001 to HK\$1,500,000	1	-
HK\$4,000,001 to HK\$4,500,000	1	1

During the year, no emoluments were paid by the Group to the directors as a discretionary bonus or an inducement to join or upon joining the Group or as a compensation for loss of office.

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

Notes to the Financial Statements

For the year ended 30 June 2004

7. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (continued)

(ii) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2003: three) were directors of the Company and their emoluments are set out above. The emoluments of the remaining two (2003: two) individuals are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	781	736
Retirement benefits schemes contributions	34	34
	815	770

8. TAXATION

No provision for profits tax has been made in the financial statements as the Group incurred tax losses for both years.

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

	2004 HK\$'000	2003 HK\$'000
Loss before taxation	(7,653)	(24,166)
Tax at the income tax rate of 33% (2003: 33%)	(2,525)	(7,974)
Tax effect of expenses not deductible for tax purpose	157	81
Tax effect of income not taxable for tax purpose	(2,405)	(303)
Tax effect of tax losses not recognised	4,773	8,196
Taxation for the year	-	-

9. LOSS PER SHARE

The calculation of the loss per share is based on the net loss for the year of HK\$7,182,000 (2003: HK\$24,129,000) and 3,747,183,000 (2003: weighted average number of 3,264,495,000) shares in issue during the year.

Notes to the Financial Statements

For the year ended 30 June 2004

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
COST				
At 1 July 2003	1,114	505	499	2,118
Additions	-	44	591	635
Disposal of a subsidiary	-	(38)	-	(38)
At 30 June 2004	1,114	511	1,090	2,715
DEPRECIATION				
At 1 July 2003	607	109	58	774
Provided for the year	332	92	178	602
Eliminated on disposal of a subsidiary	-	(3)	-	(3)
At 30 June 2004	939	198	236	1,373
NET BOOK VALUES				
At 30 June 2004	175	313	854	1,342
At 30 June 2003	507	396	441	1,344

Notes to the Financial Statements For the year ended 30 June 2004

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY			
COST			
At 1 July 2003 and 30 June 2004	539	198	737
DEPRECIATION			
At 1 July 2003	399	46	445
Provided for the year	140	32	172
At 30 June 2004	539	78	617
NET BOOK VALUES			
At 30 June 2004	-	120	120
At 30 June 2003	140	152	292

11. INVESTMENT PROPERTIES

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
THE GROUP		
VALUATION		
At beginning of the year	268,868	-
Acquisition of subsidiaries	-	252,600
Surplus arising on revaluation	9,990	16,268
At end of the year	278,858	268,868

The Group's investment properties are revalued at 30 June 2004 by Shanghai Real Estate Appraisers Co. Ltd., on an open market value basis. This valuation gave rise to a revaluation surplus of HK\$9,990,000 (2003: HK\$16,268,000) which has been credited to the investment property revaluation reserve.

Notes to the Financial Statements

For the year ended 30 June 2004

11. INVESTMENT PROPERTIES (continued)

The Group has pledged all of its investment properties to secure general banking facilities granted to the Group.

The Group's investment properties are situated in the PRC and are held under medium-term leases.

12. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	320,466	223,095
Less: Impairment loss recognised	(67,085)	(67,085)
	253,381	156,010

Details of the Company's principal subsidiaries as at 30 June 2004 are as follows:

Name	Place of incorporation or registration/ operations	Issued share capital/ registered capital	Attributable equity interest of the Company		Principal activities
			Directly %	Indirectly %	
國欽國際貿易(上海)有限公司(「國欽」) [#]	PRC	US\$20,000,000	100	-	Trading and investment holding
Ecflyer.com Limited	Hong Kong	HK\$2	-	100	Travel agency services (ticketing and provision of hotel reservation services)
Wealth Sea Investment Limited	British Virgin Islands/PRC	US\$1	100	-	Property investment
Trend Glory Investments Limited	British Virgin Islands/PRC	US\$1	-	100	Property investment

[#] 國欽 is a wholly-owned foreign enterprise.

Notes to the Financial Statements

For the year ended 30 June 2004

12. INVESTMENTS IN SUBSIDIARIES (continued)

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

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

13. INVESTMENTS IN SECURITIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Investment securities:		
Unlisted investment in Hong Kong, at cost	650	650
Impairment loss recognised	(650)	(650)
	-	-
Current assets		
Other investments:		
Legal person shares in PRC	18,009	-
Total investment in securities	18,009	-

Subsequent to the balance sheet date, other investments were disposed of to an independent third party for a consideration of approximately HK\$18,996,000 as set out in note 29(b).

Notes to the Financial Statements

For the year ended 30 June 2004

14. GOODWILL

	THE GROUP
	<i>HK\$'000</i>
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COST	
At 1 July 2003	104
Disposal of a subsidiary	(104)
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At 30 June 2004	-
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AMORTISATION	
At 1 July 2003	10
Charge for the year	10
Eliminated on disposal of a subsidiary	(20)
<hr/>	
At 30 June 2004	-
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NET BOOK VALUES	
At 30 June 2004	-
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At 30 June 2003	94
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The amortisation period adopted for goodwill is 5 years.

15. TRADE DEBTORS

The Group allows an average credit period of 90 days to its trade customers. The aged analysis of trade debtors is as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
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0 – 30 days	989	-
31 – 60 days	22,218	-
61 – 90 days	943	-
Over 90 days	2,852	-
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	27,002	-
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Notes to the Financial Statements

For the year ended 30 June 2004

16. PREPAYMENTS AND OTHER RECEIVABLES

Included in prepayments and other receivables is an amount of RMB120,000,000 which was paid to a supplier for the purchase of oil products. The transaction was ultimately cancelled and the amount was subsequently settled after year end.

17. AMOUNT DUE TO A RELATED COMPANY

THE GROUP AND THE COMPANY

The amount represents advance from Sourcebase Developments Limited, in which Mr. Zhang Yang, a director of the Company, has beneficial interest and is unsecured, non interest-bearing and has no fixed terms of repayment.

18. BANK LOANS, SECURED

THE GROUP

The amount bears interest at prevailing market rate, repayable within one year and is secured by the Group's investment properties.

19. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 July 2002, shares of HK\$0.01 each	50,000,000	500,000
Consolidation of shares into HK\$0.1 each	(45,000,000)	-
At 30 June 2003 and 30 June 2004, shares of HK\$0.1 each	5,000,000	500,000
Ordinary shares, issued and fully paid:		
At 1 July 2002, shares of HK\$0.01 each	26,861,831	268,618
Issue of shares of HK\$0.01 each	4,370,000	43,700
Consolidation of shares into HK\$0.1 each	(28,108,648)	-
Issue of shares of HK\$0.1 each	624,000	62,400
At 30 June 2003 and 30 June 2004, shares of HK\$0.1 each	3,747,183	374,718

Notes to the Financial Statements

For the year ended 30 June 2004

20. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1 July 2002	114,223	16,048	(235,388)	(105,117)
Issue of shares	4,370	-	-	4,370
Share issue expenses	(1,113)	-	-	(1,113)
Net loss for the year	-	-	(13,553)	(13,553)
At 30 June 2003	117,480	16,048	(248,941)	(115,413)
Net loss for the year	-	-	(4,170)	(4,170)
At 30 June 2004	117,480	16,048	(253,111)	(119,583)

The contributed surplus of the Company brought forward represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the group reorganisation completed on 15 October 1996, over the nominal value of the Company's shares issued in exchange therefor.

In accordance with the Bermuda Companies Act 1981, the Company's contributed surplus is available for cash distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus account if:

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

In the opinion of the directors, the Company has no reserves available for distribution to its shareholders at the balance sheet date.

Notes to the Financial Statements

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21. DEFERRED TAXATION

THE GROUP

The following is the deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Revaluation of investment properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2002	-	-	-	-
Charge (credit) to income for the year	21	(21)	-	-
Charge to equity for the year	-	-	5,368	5,368
At 30 June 2003	21	(21)	5,368	5,368
(Credit) charge to income for the year	(6)	6	-	-
Charge to equity for the year	-	-	3,297	3,297
At 30 June 2004	15	(15)	8,665	8,665

At 30 June 2004, the Group has estimated unused tax losses of approximately HK\$41,507,000 (2003: HK\$27,076,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$88,000 (2003: HK\$122,000) of the tax losses. No deferred tax asset has been recognised in respect of the remaining estimated tax losses of approximately of HK\$41,419,000 (2003: HK\$26,954,000) due to uncertainty of future profits streams. Included in unrecognised tax losses are losses of approximately of HK\$7,486,000 (2003: HK\$4,036,000) that will expire on 2009. Other losses may be carried forward indefinitely.

THE COMPANY

At 30 June 2004, the Company has estimated unused tax losses of approximately HK\$17,204,000 (2003: HK\$14,358,000) available for offset against future profits. No deferred tax asset has been recognised due to uncertainty of future profit streams. Losses may be carried forward indefinitely.

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22. DISPOSAL OF A SUBSIDIARY

Pursuant to an agreement dated 23 February 2004 entered into between the Group and an independent third party, the Group disposed of its 80% equity interest in 上海時美科汽車有限公司 (“時美科”) to the third party at a consideration of approximately HK\$6,642,000. The net assets of 時美科 at the date of disposal were as follows:

	2004 HK\$'000	2003 HK\$'000
Net assets disposed of:		
Property, plant and equipment	35	-
Trade debtors	1,351	-
Prepayments and other receivables	5,321	-
Bank balances and cash	3,629	-
Other payables and accrued charges	(4,707)	-
Minority interests	(1,126)	-
	4,503	-
Attributable goodwill	84	-
	4,587	-
Gain on disposal of the subsidiary	2,055	-
	6,642	-
Total consideration, satisfied by cash	6,642	-
Analysis of net cash outflow in respect of disposal of a subsidiary:		
Cash consideration	6,642	-
Bank balances and cash disposed of	(3,629)	-
	3,013	-

The subsidiary disposed of during the year contributed HK\$5,490,000 to the Group's turnover and HK\$1,886,000 to the Group's loss from operations.

Notes to the Financial Statements

For the year ended 30 June 2004

23. ACQUISITION OF SUBSIDIARIES

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net assets acquired:		
Investment properties	–	252,600
Other receivables	–	8,034
Bank balances	–	145
Other payables	–	(7)
Minority interests	–	(1,634)
	–	259,138
Goodwill	–	104
Total consideration, satisfied by cash	–	259,242
Analysis of net cash outflow in respect of acquisition of subsidiaries:		
Cash consideration	–	(259,242)
Bank balances acquired	–	145
	–	(259,097)

The subsidiaries acquired during the year ended 30 June 2003 had turnover and profit before taxation of HK\$1,140,000 and HK\$1,010,000, respectively, for the period between the date of acquisition and 30 June 2003.

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24. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments of HK\$595,000 (2003: HK\$717,000) in respect of office premises which fall due within one year.

Leases are mainly negotiated for an average term of one year and rentals are fixed over the term of the leases.

The Group as lessor

Property rental income earned during the year was HK\$7,358,000 (2003: HK\$1,047,000).

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments of HK\$5,770,000 (2003: HK\$1,698,000) which fall due within one year.

The lease is negotiated for an average term of one year.

The Company as lessor

Property rental income earned during the year was HK\$60,000 (2003: nil).

At the balance sheet date, the Company had contracted with tenants for the future minimum lease payments of HK\$110,000 (2003: nil) which fall due within one year.

The lease is negotiated for an average term of one year.

25. CAPITAL COMMITMENTS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	29,167	-

The Company did not have any significant capital commitment as at both balance sheet dates.

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26. SHARE OPTION SCHEME

The share option scheme of the Company was adopted by the Company on 17 April 2002 (the “Option Scheme”). The major terms of the Option Scheme are summarised as follows:

1. The purpose of the Option Scheme is to provide incentives to the participants.
2. The participants of the Option Scheme include any employee or director of any member of the Group.
3. The maximum number of shares in respect of which options might be granted under the Option Scheme must not exceed 10% of the issued share capital of the Company from time to time and should be a maximum of 374,718,000 shares at 30 June 2004.
4. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with the total number of shares issued and issuable under any option granted to the same participant under the Option Scheme, must not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Option Scheme from time to time.
5. No minimum period of holding is required before the option became exercisable.
6. The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee to the Company.
7. The subscription price shall not be lower than the higher of:
 - (i) the closing price of the shares as stated in the Stock Exchange daily quotation sheets on the date of grants, which must be a trading date;
 - (ii) the average closing price of the shares as stated in the Stock Exchange daily quotation sheets for the five trading days immediately preceding the date of grant; and
 - (iii) the nominal value of the share.
8. The Option Scheme will be expired on 17 April 2012.

No share options were granted or exercised under the Option Scheme during the year.

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For the year ended 30 June 2004

27. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The retirement benefits cost charged to income statement represents contributions payable to the MPF Scheme by the Group at rates specified in the rules of the Scheme. Where there are employees joined the MPF Scheme who leave the MPF Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. For the year ended 30 June 2004, no forfeit voluntary contributions of the MPF Scheme credited to the income statement.

The employees of the subsidiaries in the PRC are members of retirement benefits schemes operated by the PRC government. The relevant PRC subsidiaries are required to contribute a certain percentage of the relevant portion of the payroll of their current employees to the pension scheme to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of services in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

The total cost charged to income statements of approximately HK\$355,000 (2003: HK\$445,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

28. CONTINGENT LIABILITY

The Company has given guarantees to bank in respect of banking facilities granted to its subsidiary for an amount of HK\$103,774,000 (2003: nil). No facility was utilised by the subsidiary at 30 June 2004.

29. POST BALANCE SHEET EVENTS

- (a) On 3 August 2004, 國欽, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for the acquisition of land at Zha Bei District, Shanghai, at a consideration of approximately HK\$72,642,000. Details of the transactions are set out in the circular of the Company dated 6 September 2004.
- (b) Subsequent to year-ended 30 June 2004, the Group disposed of the legal person shares in PRC to an independent third party for a consideration of approximately HK\$18,996,000.

Notes to the Financial Statements

For the year ended 30 June 2004

30. RELATED PARTY TRANSACTIONS

Apart from the amount due to a related company disclosed in note 17, the Group entered into the following related party transactions during the current and prior years:

(a)	Related companies in which Mr. Zhang Yang is the controlling shareholder	
	2004 HK\$'000	2003 HK\$'000
Service income from the travel related operations	615	260
Commission and brokerage charges	–	(188)

- (b) Pursuant to a placing agreement dated 18 October 2002 entered into between the Company and Interchina Securities Limited (“Interchina”) in which Mr. Zhang Yang, a director of the Company, has a beneficial interest, Interchina procured for the placing and subscription of 4,370,000,000 new ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.011 per share and the Company paid a placing fee of approximately HK\$721,000 to Interchina. The transaction was completed on 6 November 2002.

These transactions were transacted at prices agreed between the parties and in accordance with the relevant agreements governing the transactions.