1. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in Bermuda on 5th June, 2001 as an exempted company under the Companies Act 1981 of Bermuda (as amended) and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 15th August, 2002.

Under a group reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), the Company became the holding company of the Group on 23rd July, 2002. Details of the reorganisation were set out in the prospectus issued by the Company dated 31st July, 2002.

The principal steps of the reorganisation, which involved the exchange of shares, were that the shares of the Company were issued and allotted to the then existing shareholders of Penny Farthing Agents Limited in exchange for their shares in Penny Farthing Agents Limited.

The Group resulting from the above mentioned reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared using the principles of merger accounting in accordance with Statements of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants.

The Company acts as an investment holding company while its subsidiaries are engaged in the operation of a theme park in Panyu, the PRC, under the name of "SammyLand". Its ultimate holding company is Super Master Holdings Limited, a company which is incorporated in the British Virgin Islands.

2. ADOPTION OF NEW OR REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time the following new or revised SSAPs:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these new or revised SSAPs has resulted in the introduction of the statement of changes in equity and a change in the format of presentation of the cash flow statement as well as additional disclosures. In addition, the directors have re-visited the classification of expenses on the income statement and considered more appropriate to reflect the Group's business by way to present expenses by nature instead of by function as was presented in the accountants' report set out in the prospectus of the Company dated 31st July, 2002. These changes have no effect on the results for the current or prior periods. Accordingly, no prior period adjustment was required.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and 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 31st December each year.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisitions after 1st January, 2001 is presented as deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss.

Turnover

Turnover represents the net amounts received and receivable from third parties in connection with the operation of a theme park.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Sales of tickets are recognised when the sales are concluded.

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

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, is stated at cost less depreciation and amortisation and any identified impairment loss at the balance sheet date.

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

The cost of land use rights is amortised over the period of the right using the straight line method.

The cost of buildings is depreciated over 25 years using the straight line method.

Construction in progress is stated at cost which includes all construction costs and other direct costs, including borrowing costs capitalised, attributable to the construction in progress. They are not depreciated until completion of construction. Costs of completed construction works are transferred to the appropriate categories of property, plant and equipment.

Depreciation is provided to write off the cost of theme park facilities and office fixtures and equipment over their estimated useful lives of 3 to 8 years using the straight line method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investments of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories, which represent food, beverages and souvenirs for sale, are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs necessary to make the sale.

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 loss is recognised as an expense immediately.

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

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

In previous years, the income statement of overseas operations was translated using the exchange rate prevailing on the balance sheet date. Upon adoption of the revised SSAP 11, the income statement of overseas operations must be translated at the average exchange rates for the period. This change has not had any material effect on the results for the current or prior period. Accordingly, no prior period adjustment was required.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Company's operation is regarded as a single segment, being an enterprise engaged in the operation of a theme park.

Analysis of the Group's turnover and results as well as analysis of carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as they are substantially generated from or situated in the PRC.

5. PROFIT FROM OPERATIONS

	2002	2001
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging:		
Directors' remuneration other than fees *(note 6)*	**1,716**	673
Other staff's retirement benefits scheme contributions	**150**	–
Other staff costs	**6,556**	5,844
	8,422	6,517
Auditors' remuneration	**530**	800
Operating lease rentals in respect of land and buildings	**6,306**	6,085
and after crediting:		
Interest income	**11**	–

6. DIRECTORS' REMUNERATION

	2002 *HK$'000*	2001 *HK$'000*
Fees for		
– executive directors	**–**	–
– independent non-executive directors	**170**	–
	170	–
Other emoluments for independent non-executive directors	**–**	–
Other emoluments for executive directors		
– basic salaries and allowances	**1,693**	673
– retirement benefits scheme contributions	**23**	–
	1,716	673
Total directors' remuneration	**1,886**	673

None of the directors received emoluments in excess of HK$1 million.

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

7. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included four (2001: three) executive directors of the Company, whose emoluments are included in note 6 above. The aggregate emoluments of the remaining one (2001: two) highest paid individual(s) are as follows:

	2002 *HK$'000*	2001 *HK$'000*
Basic salaries and allowances	**420**	525
Retirement benefits scheme contributions	**5**	–
	425	525

None of the highest paid individual(s) received emoluments in excess of HK$1 million.

8. FINANCE COSTS

	2002	2001
	HK$'000	*HK$'000*
Interest on bank and other borrowings		
– wholly repayable within five years	**4,222**	3,771
– not wholly repayable within five years	**2,150**	–
	6,372	3,771

9. TAXATION

The charge represents PRC income tax of the Group's PRC operations calculated at the rates prevailing under the relevant laws and regulations in the PRC.

The Group's profits neither arose in, nor was derived from, Hong Kong and therefore was not subject to Hong Kong profits tax.

As part of the normal process during the listing of the shares of the Company on the Stock Exchange, the controlling shareholder and director of the Company, Mr. Li Tat Ting has given a deed of indemnity to indemnify the members of the Group for all taxation falling on any of the members of the Group resulting from income, profits, gains, transactions, events, matters or things earned, accrued, entered into or occurring on or before 15th August, 2002 unless such liability to taxation was discharged or have been accrued by the Group prior to 15th August, 2002.

There was no significant unprovided deferred taxation for the year or at the balance sheet date.

10. DIVIDEND

The dividend in 2001 represented dividend distributed by a Company's subsidiary to its former shareholders prior to becoming a member of the Group.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the net profit for the year of HK$20,449,000 (2001: HK$36,843,000) and on the 533,129,000 (2001: 492,000,000) shares deemed to be in issue during the year.

No diluted earnings per share has been presented as there were no potential dilutive shares for both years.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Theme park facilities and office fixtures and equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP				
COST				
At 1st January, 2002	285,590	51,222	4,861	341,673
Additions	23,440	11,979	4,518	39,937
At 31st December, 2002	**309,030**	**63,201**	**9,379**	**381,610**
DEPRECIATION AND AMORTISATION				
At 1st January, 2002	38,910	20,220	–	59,130
Provided for the year	7,843	7,339	–	15,182
At 31st December, 2002	**46,753**	**27,559**	**–**	**74,312**
NET BOOK VALUES				
At 31st December, 2002	**262,277**	**35,642**	**9,379**	**307,298**
At 31st December, 2001	246,680	31,002	4,861	282,543

	Office equipment
	HK$'000
THE COMPANY	
COST	
Acquired during the year and balance at 31st December, 2002	5
DEPRECIATION AND AMORTISATION	
Provided for the year and balance at 31st December, 2002	1
NET BOOK VALUE	
At 31st December, 2002	**4**

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's land and buildings and construction in progress are situated in the PRC and are under medium-term land use rights.

The Group has pledged certain of its land and buildings with an aggregate net book value of HK$37,459,000 (2001: HK$38,410,000) to secure the credit facilities granted by certain banks to the Group.

No interest was capitalised during the year in construction in progress.

13. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY *HK$'000*
Unlisted shares, at cost	243,502

Details of the Company's principal subsidiaries, all of which are wholly-owned by the Company, at 31st December, 2002 are as follows:

Name of subsidiary	Country of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Principal activities
Penny Farthing Agents Limited*	British Virgin Islands/PRC	US$8	Investment holding and underwriting of group visitors tickets of the theme park for overseas visitors
番禺飛圖夢幻影城有限公司 (Panyu Fantasy Film City Limited) ("PFFCL")	PRC	RMB140,000,000	Ownership and operation of a theme park

* Directly held by the Company.

13. INVESTMENTS IN SUBSIDIARIES *(Continued)*

PFFCL is a PRC sino-foreign co-operative joint venture established for a term of 40 years commencing 9th January, 1995. Pursuant to the co-operative joint venture agreement and its addendum, the PRC joint venture partner has forfeited its economic interests in connection with the operation and management of PFFCL in consideration for a contracted annual payment of RMB10,000. Accordingly, the Group is entitled to all the net results, risks and liabilities of PFFCL throughout the entire remaining co-operative joint venture period, after the payment of the pre-determined annual payment to the PRC joint venture partner. At the expiry of the co-operation period, the Group is entitled to all the remaining assets of PFFCL.

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

14. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
Trade receivables	**25,930**	31,319
Other receivables	**9,079**	12,590
	35,009	43,909

Payment terms with customers are mainly on credit. Invoices are normally payable from 30 to 180 days of issuance, except for certain well established customers. The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
Age		
0 to 30 days	**3,617**	2,464
31 to 90 days	**11,400**	9,659
91 to 180 days	**7,454**	12,976
181 to 365 days	**3,459**	6,220
	25,930	31,319

15. AMOUNT DUE FROM A DIRECTOR

Details of the amount due from a director are as follows:

	THE GROUP		
Name of director	Balance at 31.12.2002	Balance at 1.1.2002	Maximum amount outstanding during the year
	HK$'000	*HK$'000*	*HK$'000*
Mr. Li Tat Ting	–	153	153

The amount was unsecured, interest-free and was fully repaid during the year.

16. TRADE AND OTHER PAYABLES

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
Trade payables	**1,737**	1,408
Other payables	**17,129**	32,178
	18,866	33,586

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
Age		
0 to 30 days	**304**	111
31 to 90 days	**254**	269
91 to 180 days	**27**	196
181 to 365 days	**16**	832
Over 365 days	**1,136**	–
	1,737	1,408

17. LONG-TERM PAYABLES

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
Construction payables repayable		
– within one year	**8,117**	1,329
– between one to two years	**8,636**	14,244
– between two to five years	**11,782**	18,410
– after five years	**1,541**	–
	30,076	33,983
Advances from former shareholders repayable		
– within one year	**10,698**	–
– between one to two years	**–**	10,698
– capitalised by way of issue of shares of a subsidiary in June 2002	**–**	22,354
	10,698	33,052
Other unsecured loan, carries interest at 12% per annum and repayable		
– between one to two years	**2,337**	–
– between two to five years	**14,018**	–
– after five years	**2,337**	–
	18,692	–
Total long-term payables	**59,466**	67,035
Less: Amount due within one year shown under current liabilities	**18,815**	1,329
Amount due after one year	**40,651**	65,706

The construction payables are unsecured and interest-free except for the balance of HK$5,071,000 (2001: HK$5,071,000) which carry interest at 10% per annum.

The advances from former shareholders are unsecured and interest-free. The advance of HK$10,698,000 was secured by a personal guarantee given by the controlling shareholder and a director of the Company Mr. Li Tat Ting.

18. BANK LOANS

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
The bank loans are secured and are repayable as follows:		
Within one year	**1,462**	19,709
Between one to two years	**11,158**	8,336
Between two to five years	**–**	4,168
	12,620	32,213
Less: Amount due within one year shown under current liabilities	**1,462**	19,709
Amount due after one year	**11,158**	12,504

19. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
– on incorporation and balance at 31st December, 2001	10,000,000	100
– increase in authorised share capital	2,990,000,000	29,900
– balance at 31st December, 2002	3,000,000,000	30,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
– on incorporation, nil paid and balance at 31st December, 2001	10,000,000	–
– issue of new shares and credited as fully paid up nil paid shares on acquisition of subsidiaries	10,000,000	200
– bonus issue of shares	472,000,000	4,720
– issue of new shares on listing	108,000,000	1,080
– balance at 31st December, 2002	600,000,000	6,000

19. SHARE CAPITAL *(Continued)*

During the year, the following changes in the share capital of the Company took place:

(a) Pursuant to the written resolutions of all the shareholders of the Company passed on 13th June, 2002

- the authorised share capital of the Company was increased from HK$100,000 to HK$30,000,000 by the creation of an additional 2,990,000,000 new shares of HK$0.01 each.

- the Company issued 10,000,000 new shares of HK$0.01 each in the Company credited as fully paid at par, and credited as fully paid the 10,000,000 shares of HK$0.01 each issued nil paid on 5th June, 2001 as consideration for the acquisition of the entire equity interests of the Company's subsidiaries.

- the Company made a bonus issue of 472,000,000 new shares of HK$0.01 each, credited as fully paid at par to the then existing shareholders. This bonus issue was funded by the capitalisation of a sum of HK$4,720,000 standing to the credit of the Company's share premium account.

(b) Pursuant to the placing and underwriting agreement dated 31st July, 2002, the Company offered 108,000,000 new shares for subscription at a price of HK$0.34 per share. The net proceeds from this subscription were used for the Company's business expansion and to provide additional general working capital for the Company.

All the shares which were issued during the year rank pari passu with the then existing shares in all respects.

20. SHARE OPTIONS

Pursuant to the share option scheme adopted by the Company on 13th June, 2002, the Company may grant options to the directors, non-executive directors, suppliers of goods and services, customers, advisors and consultants, shareholders of the Company or any of its subsidiaries for the primary purpose of providing incentives to them, to subscribe for shares in the Company with the payment of HK$1 per offer. The total number of shares in respect of which options may be granted shall not exceed 30% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year shall not exceed 1% of the issued share capital of the Company. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's issued share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders. The exercise price of the share option will be determined at the higher of the average of closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options; the closing price of the shares on the Stock Exchange on the date of grant; and the nominal value of the shares. The share options are exercisable for a period not later than 10 years from the date of grant.

No share options were granted since adoption of the scheme.

21. RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY				
On incorporation and balance at 31st December, 2001	–	–	–	–
Premium arising on issue of shares	35,640	–	–	35,640
Capitalisation on bonus issue of shares	(4,720)	–	–	(4,720)
Expenses incurred in connection with the issue of new shares	(12,723)	–	–	(12,723)
Arising from the Group Reorganisation	–	243,302	–	243,302
Net profit for the year	–	–	1,386	1,386
At 31st December, 2002	**18,197**	**243,302**	**1,386**	**262,885**

The contributed surplus of the Company represents the difference between the aggregate net tangible assets of the subsidiaries acquired by the Company under the Group Reorganisation in 2002 and the nominal amount of the Company's shares issued for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus 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, as at 31st December, 2002, the Company's reserves available for distribution was HK$244,688,000 (2001: Nil) comprising the contributed surplus and retained profit.

22. MAJOR NON-CASH TRANSACTIONS

During the year, advances from shareholders to the extent of HK$35,000,000 was capitalised by way of issue of shares of a subsidiary.

In 2001, the Group entered into arrangements with certain creditors and independent third parties in respect of conversion of trade payables and other payables of HK$833,000 and HK$5,632,000, respectively, into long-term payables.

23. OPERATING LEASE COMMITMENTS

While the Company had no outstanding operating lease commitments at the balance sheet date, its subsidiaries were committed to make the following minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
Within one year	**6,682**	6,011
In the second to fifth years inclusive	**26,825**	26,131
After five years	**216,936**	223,862
	250,443	256,004

Included in the above operating lease commitments are rentals for a piece of land for a period of 30 years commencing April 1999.

In addition, as at 31st December, 2002, the Group was committed to make minimum lease payments in respect of amusement facilities for a period of two years commencing October 2002 which amounted to HK$156,000 per month plus 25% of the gross revenue derived from these amusement facilities.

24. CAPITAL COMMITMENTS

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	**9,736**	17,616

The Company had no capital commitments at the balance sheet date.

25. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which is matched by employees.

The employees of the Company's PRC subsidiary are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.