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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Ho Tsam Hung (*Chairman*)

Ho Pak Hung (*Deputy Chairman*)

Ho Kam Hung (*Managing Director*)

#### Independent Non-Executive Directors

Young Kwok Sui

Zhang Jie

### COMPANY SECRETARY

Yam Ka Yin, Rebecca

### REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 3302-04, 33rd Floor

One International Finance Centre

1 Harbour View Street

Central

Hong Kong

### PRINCIPAL OFFICE IN CHINA

#### Chongqing

Level 14, Gang Yu Square

Chiaodong Road

Chiaotianmen

Chongqing

### AUDITORS

Ernst & Young

*Certified Public Accountants*

15th Floor, Hutchison House

10 Harcourt Road

Central

Hong Kong

## CORPORATE INFORMATION

### LEGAL ADVISERS

*As to Hong Kong law*  
Stevenson, Wong & Co.  
Room 2002–2009,  
Edinburgh Tower,  
The Landmark  
Central  
Hong Kong

*As to Bermuda law*  
Conyers Dill & Pearman  
3408 Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

### PROPERTY VALUER

Chesterton Petty Ltd  
16th Floor, CITIC Tower  
1 Tim Mei Avenue  
Hong Kong

### PRINCIPAL BANKERS

The Bank of East Asia, Limited, *Guangzhou Branch*  
The Hong Kong and Shanghai Banking Corporation Limited  
Nanyang Commercial Bank Ltd

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited  
28th Floor,  
BEA Harbour View Centre,  
56 Gloucester Road,  
Wanchai,  
Hong Kong

## CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Directors") of Zhong Hua International Holdings Limited (the "Company"), I am pleased to present the Annual Report of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2002.

### REVIEW OF RESULTS

The Directors are pleased to report that the Group recorded a turnover of HK\$172,511,000, net loss from ordinary activities attributable to shareholders of HK\$191,750,000, and basic loss per share of HK6.43 cents for the year ended 31 December 2002. These figures represented decrease of approximating 20%, 698% and 695%, respectively when compared to a turnover of HK\$215,764,000, net profit from ordinary activities attributable to shareholders of HK\$32,065,000 and basic earnings per share of HK1.08 cents for the year ended 31 December 2001. The diluted earnings per share was HK1.06 cents for the year ended 31 December 2001.

### DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2002.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be temporarily closed from Wednesday, 28 May 2003 to Thursday, 29 May 2003, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance at the Company's annual general meeting to be held on Thursday, 29 May 2003, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 27 May 2003.

### BUSINESS REVIEW

The Group's turnover in the year ended 31 December 2002 mainly comprised pre-sale of Phase III of the residential units currently under construction at Haizhu Peninsula Garden in Guangzhou, the People's Republic of China (the "PRC"), together with rental income generated from the commercial podiums located in Guangzhou and Chongqing, the PRC.

The net loss of the Group for the year was mainly resulted from an impairment of goodwill arising on the acquisition of I-Action Agents Limited and its subsidiaries, which are engaged in the provision of technology consultancy services for the operation of the phone payment gateway, together with the impairment of goodwill arising on the acquisition of a subsidiary which is engaged in the sale of online English learning courses.

## CHAIRMAN'S STATEMENT

### Property development and investment

The residential units of Phase III of Haizhu Peninsula Garden had been sold up to 64% up to the end of 2002. During the year, the Group had disposed of the equity interests in Ample Dragon Limited and its subsidiaries, which are principally engaged in the property development and investment in Haizhu Peninsula Garden. The Group ceased to own any shares or have any interest in Ample Dragon Limited upon the completion of the disposal on 31 December 2002.

The commercial units in Gang Yu Square in Chongqing, the PRC, were leased out in the year ended 31 December 2002 and the occupancy rate was highly satisfactory.

### Sale of online English learning courses

The Group is engaged in the sale of online English learning courses, developed by GlobalEnglish Corporation in the United States of America, to individual and corporate customers in the region of the PRC including Hong Kong and Macau.

The Group, after conducting extensive researches, commenced the business since 2002. The Group had entered into contracts with several large-scale corporate customers and sub-distributors and has been negotiating with several multinational clients in recent months.

### Provision of exclusive technology consultancy services

In early 2002, the Group had conducted large-scale marketing campaign with GNET(廣東省銀行卡網絡服務中心) to promote the use of phone banking services in Guangzhou, the PRC. Service contracts with major telecommunication and other companies to serve as their phone banking payment service provider in Guangdong Province excluding Shenzhen had been obtained during the year. The business is still in the early stage of development and the Group expects that the income from the services will increase in the future.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

The Group generally financed its businesses with internally generated cash flows and banking facilities. Cash and bank balances for the Group as at 31 December 2002 amounted to HK\$40,857,000 (31 December 2001: HK\$55,174,000) and pledged deposits of HK\$2,200,000 (2001: HK\$4,071,000) while interest-bearing bank loans and borrowings for the Group amounted to HK\$51,126,000 (31 December 2001: HK\$193,451,000) of which 21%, 19%, 30% and 30% respectively are repayable within one year or on demand, in the second year, in the third to fifth years, inclusive, and beyond five years. No bank loan and borrowings (31 December 2001: HK\$181,751,000) is charged at fixed interest rates as at 31 December 2002.

The Group's gearing ratio as at 31 December 2002 was 0.16 (31 December 2001: 0.33), calculated based on the Group's total liabilities, excluding deferred income, of HK\$119,529,000 (31 December 2001: HK\$574,620,000) over total assets of HK\$765,242,000 (31 December 2001: HK\$1,719,354,000).

## CHAIRMAN'S STATEMENT

### Currency Structure

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions, including borrowings, were mainly conducted in Hong Kong dollars or Renminbi and the exchange rates of these currencies were relatively stable throughout the year.

### Pledge of Assets

The Group had utilized bank loan facilities amounting to approximately HK\$51,126,000 (31 December 2001: HK\$193,451,000) as at 31 December 2002. The bank loans were secured by certain of the Group's investment properties and a corporate guarantee executed by the Company.

### Contingent Liabilities

As at 31 December 2002, guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties amounted to HK\$22,006,000 (31 December 2001: HK\$353,791,000).

### Material Acquisitions and Disposals of Subsidiaries

On 25 October 2002, the Group entered into a conditional agreement for the disposal of 51% equity interest of Ample Dragon Limited for a consideration of HK\$350 million. The principal activities of Ample Dragon Limited and its subsidiaries are mainly engaged in property development and investment in Haizhu Peninsula Garden in Guangzhou, the PRC.

Details of the disposal of Ample Dragon Limited had been set out in a circular of the Company dated 13 December 2002. The transaction was completed on 31 December 2002 and the Group ceased to own any shares or have any interest in Ample Dragon Limited and its subsidiaries. The total gain on disposal is HK\$160 million, of which HK\$9 million had been reflected in the Group's consolidated profit and loss account and HK\$151 million had been recorded as deferred income in the consolidated balance sheet.

### Employee and Remuneration Policy

The Group employed approximately 21 full time staff in Hong Kong and Chongqing, the PRC, as at 31 December 2002. Employees are remunerated according to the nature of their job and market trend, with built-in merit components incorporated in the annual increment to reward and motivate individual performance. In Chongqing, the PRC, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, other staff benefits include medical schemes, Mandatory Provident Fund Schemes and employee share option scheme.

## CHAIRMAN'S STATEMENT

### PROSPECTS

The Group is optimistic with the significant economic growth in the PRC and therefore creates numerous investment opportunities. The Group will continue its diversification with a view to broaden its business scope and increase sources of revenue. With a capacity of free up capital resulted from the disposal of Ample Dragon Limited, the Group is now continuing to evaluate attractive investment opportunities in the PRC with an aim to maximize shareholders' return and lead to encouraging results to the Group in long run.

### APPRECIATION

On behalf of the Directors, I would like to express my sincere appreciation to all management executives and staff for their conscientious efforts and support in maintaining the Group's profile during the year.

On behalf of the Board

**Ho Tsam Hung**

*Chairman*

Hong Kong, 28 April 2003

## REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2002.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are primarily property development and investment, and sale of online English learning courses in the Mainland of the People's Republic of China ("Mainland China"). There were no significant changes in the nature of the Group's principal activities during the year.

### RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 17 to 63.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2002.

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 64 of the annual report. This summary does not form part of the audited financial statements.

### FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets of the Company and of the Group, and of the investment properties of the Group during the year are set out in notes 13 and 14, respectively, to the financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and movements in the Company's share options during the year, together with the reasons therefor, are set out in notes 23 and 24 to the financial statements.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.



## REPORT OF THE DIRECTORS

### RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 25 to the financial statements and in the consolidated summary statement of changes in equity.

### DISTRIBUTABLE RESERVES

At the balance sheet date, the Company's reserves available for cash distribution and distribution in specie were HK\$214,817,000. In addition, in accordance with the Companies Act 1981 of Bermuda (as amended), the Company's share premium account, in the amount of HK\$220,002,000, may be distributed in the form of fully paid bonus shares.

### FINANCIAL RESOURCES AND LIQUIDITY

The Group generally finances its operations with internally generated cash flows and with facilities mainly provided by banks in Mainland China. At the balance sheet date, the Group had cash and bank balances and deposits totalling HK\$43,057,000.

At the balance sheet date, the Group had aggregate bank loans of approximately HK\$51,126,000, of which approximately HK\$10,974,000 is repayable within one year from the balance sheet date.

### MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentage of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (i) The aggregate amount of turnover attributable to the Group's five largest customers represented 41% of the total turnover for the year. The turnover from the Group's largest customer represented 31% of the Group's total turnover for the year.
- (ii) The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

As far as the directors of the Company are aware, neither the directors, their respective associates nor any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

## REPORT OF THE DIRECTORS

### DIRECTORS

The directors of the Company during the year were:

#### Executive directors:

Ho Tsam Hung, *Chairman*

Ho Pak Hung, *Deputy Chairman*

Ho Kam Hung, *Managing Director*

Lam Ling Tak (resigned on 1 July 2002)

#### Independent non-executive directors:

Chan Chiu Kwok, Charles

Zhang Jie (appointed on 30 September 2002)

Young Kwok Sui (appointed on 31 December 2002)

Tsao Kwang Yung, Peter (resigned on 30 September 2002)

Kwok Lam Kwong, Larry (resigned on 30 September 2002)

Subsequent to the balance sheet date, on 1 January 2003, Mr. Chan Chiu Kwok, Charles resigned as a director of the Company.

In accordance with the Company's bye-laws, Ho Pak Hung will retire by rotation, and being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with the Company's bye-laws, Zhang Jie and Young Kwok Sui will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with the Company's bye-laws, the terms of appointment of the independent non-executive directors will expire when they are required to retire by rotation.

### DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 30 to the financial statements, no contracts of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted as at the balance sheet date or at any time during the year and subsequent thereto.

## REPORT OF THE DIRECTORS

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

### CONNECTED TRANSACTIONS

Details of connected transactions of the Group are set out in note 30 to the financial statements.

### DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At the balance sheet date, the interests of the directors in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, or which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

#### The Company

<b>Name of director</b>	<b>Number of shares held and nature of interest Corporate</b>
Ho Tsam Hung	270,000,000 (Note 1)
Ho Pak Hung	270,000,000 (Note 2)
Ho Kam Hung	270,000,000 (Note 3)

#### Notes:

- (1) 270,000,000 shares were beneficially held by Ho Tsam Hung through Morgan Estate Assets Limited.
- (2) 270,000,000 shares were beneficially held by Ho Pak Hung through On Tai Profits Limited.
- (3) 270,000,000 shares were beneficially held by Ho Kam Hung through Morcambe Corporation.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

#### Associated corporations

At the balance sheet date, the following directors of the Company had interests in the non-voting deferred shares in certain of the subsidiaries of the Company:

(a) *Interests in the non-voting deferred shares of Smart Hero (Holdings) Limited*

Name of director	Number of shares held and nature of interest	
	Personal	
Ho Tsam Hung	91	
Ho Pak Hung	91	
Ho Kam Hung	91	

(b) *Interests in the non-voting deferred shares of China Land Realty Investment Limited*

Name of director	Number of shares held and nature of interest	
	Personal	
Ho Tsam Hung	91	
Ho Pak Hung	91	
Ho Kam Hung	91	

The rights and restrictions attached to the aforementioned non-voting deferred shares are set out in note 15 to the financial statements.

Save as disclosed above, as at the balance sheet date, none of the directors or their respective associates had, or were deemed to have, any interest in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which required notification, pursuant to Section 28 of the SDI Ordinance (including interests which any such director is deemed or taken to have under Section 31 of or Part I of the Schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be recorded in the register maintained by the Company, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

#### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in note 24 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEME

Due to the adoption of Hong Kong Statement of Standard Accounting Practice 34 "Employee benefits" during the year, the disclosures relating the Company's share option scheme have been moved to note 24 to the financial statements.

### DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Pursuant to Rule 8.10(2) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), details of the interests held by certain directors in a business, which competes or is likely to compete with the Group, are disclosed as follows:

Certain directors, through a private company, hold interests in a development site located at Jie Fang Nan Road, Yuexiu District, Guangzhou with an intention to develop the site into residential and commercial properties. The site is currently erected with a temporary distribution centre for shoes and related products. The distribution centre is currently managed by a separate management team which is independent from the management of the Group. Given the different location and market segment of the distribution centre, which is situated at Yuexiu District, and of the Group's shopping arcade, which is situated in Chongqing, the directors consider that competition between the two properties is remote and unlikely.

### PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

#### Directors

Name	Age	Position	Number of years of service with the Group	Business experience
Ho Tsam Hung	50	Chairman	12	Over 12 years' experience in property development and investment in Mainland China
Ho Pak Hung	52	Deputy Chairman	12	Over 12 years' experience in property development and investment in Mainland China
Ho Kam Hung	48	Managing Director	12	Over 12 years' experience in property development and investment in Mainland China
Young Kwok Sui	45	Independent Non-Executive Director	Newly-appointed on 31 December 2002	Over 15 years' experience in accountancy and management consultancy services
Zhang Jie	41	Independent Non-Executive Director	1/4	Over 20 years' experience in commercial management in Mainland China

## REPORT OF THE DIRECTORS

### PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

#### Senior management

Name	Age	Position	Number of years of service with the Group	Business experience
Yam Ka Yin, Rebecca	27	Group Financial Controller and Company Secretary	2	Over 6 years' experience in accounting and corporate finance
Chun Wai Yin, Alex	37	Accounting Manager	11	Over 15 years' experience in accounting and treasury management

#### EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 21 full-time staff in Hong Kong and Mainland China as at 31 December 2002. Employees are remunerated according to the nature of their job and market trends, with built-in merit components incorporated in the annual increment to reward and motivate individual performance. In Mainland China, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, other staff benefits include medical schemes, the Mandatory Provident Fund scheme and employees' share option scheme.

#### SUBSTANTIAL SHAREHOLDERS

At the balance sheet date, as far as the directors were aware, the register of substantial shareholders maintained by the Company, pursuant to Section 16(1) of the SDI Ordinance, showed that the following shareholder had an interest of more than 10% of the nominal value of the Company's issued share capital.

Name	Number of shares held	Percentage of the Company's issued share capital
High Rank Enterprises Limited	1,140,000,000	38.25

Save as disclosed above, the Company had not been notified of any other interest representing 10% or more in the issued share capital of the Company at the balance sheet date.

## REPORT OF THE DIRECTORS

### CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report.

### AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purpose of reviewing and supervising the Company's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

### AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Ho Kam Hung**

*Managing Director*

Hong Kong

28 April 2003

## REPORT OF THE AUDITORS



### To the members

#### Zhong Hua International Holdings Limited

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 17 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### Ernst & Young

*Certified Public Accountants*

Hong Kong

28 April 2003



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2002

	<i>Notes</i>	<b>2002</b> <i>HK\$'000</i>	2001 <i>HK\$'000</i>
TURNOVER	5	<b>172,511</b>	215,764
Cost of sales		<b>(102,180)</b>	(127,686)
Gross profit		<b>70,331</b>	88,078
Other revenue		<b>99</b>	56
Gain on disposal of interests in subsidiaries		<b>9,170</b>	–
Gain on partial disposal of interests in subsidiaries		–	15,752
Selling and distribution costs		<b>(40,571)</b>	(9,169)
Administrative expenses		<b>(26,266)</b>	(27,783)
Other operating expenses		<b>(16,994)</b>	(96)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	6	<b>(4,231)</b>	66,838
Finance costs	7	<b>(6,301)</b>	(3,251)
Share of losses of jointly-controlled entities		<b>(160)</b>	(108)
Amortisation and impairment of goodwill on acquisition of jointly-controlled entities	16	<b>(176,350)</b>	(10,870)
PROFIT/(LOSS) BEFORE TAX		<b>(187,042)</b>	52,609
Tax	9	<b>(12,048)</b>	(18,651)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		<b>(199,090)</b>	33,958
Minority interests		<b>7,340</b>	(1,893)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	10, 25	<b>(191,750)</b>	32,065
Dividend – Interim	11	–	5,960
EARNINGS/(LOSS) PER SHARE	12		
Basic		<b>HK(6.43) cents</b>	HK1.08 cents
Diluted		<b>N/A</b>	HK1.06 cents

## CONSOLIDATED BALANCE SHEET

31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	13	7,738	10,439
Investment properties	14	183,600	408,200
Properties under development		–	60,588
Interests in jointly-controlled entities	16	138,903	321,362
Trade receivables	17	11,917	52,998
Prepayments, deposits and other receivables	18	280,000	116,033
Pledged deposits	19	2,200	4,071
		<b>624,358</b>	973,691
<b>CURRENT ASSETS</b>			
Properties under development		–	366,221
Completed properties for sale		–	103,940
Trade receivables	17	8,113	63,785
Prepayments, deposits and other receivables	18	91,914	156,543
Cash and cash equivalents	19	40,857	55,174
		<b>140,884</b>	745,663
<b>CURRENT LIABILITIES</b>			
Trade payables	20	(37,664)	(133,123)
Tax payable		(8,670)	(154,583)
Other payables and accruals	21	(22,069)	(93,463)
Interest-bearing bank loans	22	(10,974)	(147,410)
Deferred income		(22,923)	–
		<b>(102,300)</b>	(528,579)
<b>NET CURRENT ASSETS</b>		<b>38,584</b>	217,084
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>662,942</b>	1,190,775
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans	22	(40,152)	(46,041)
Deferred income		(128,371)	–
		<b>(168,523)</b>	(46,041)
<b>MINORITY INTERESTS</b>		–	(305,891)
		<b>494,419</b>	838,843

Continued/...

## CONSOLIDATED BALANCE SHEET

31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
<b>CAPITAL AND RESERVES</b>			
Issued capital	23	59,600	59,600
Reserves	25	434,819	779,243
		<b>494,419</b>	838,843

**Ho Tsam Hung**  
*Director*

**Ho Pak Hung**  
*Director*

## CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2002

	<i>Note</i>	<b>2002</b> <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Total equity at 1 January		<b>838,843</b>	831,931
Surplus on revaluation of investment properties	25	<b>3,564</b>	291
Exchange differences on translation of the financial statements of overseas subsidiaries	25	<b>35</b>	(218)
Net gains not recognised in the profit and loss account		<b>3,599</b>	73
Revaluation reserve released on disposal of investment properties	25	<b>(28,541)</b>	( 12,114)
Revaluation reserve and exchange fluctuation reserve released on disposal of subsidiaries	25	<b>(134,732)</b>	–
Impairment of goodwill remaining eliminated against consolidated retained profits	25	<b>7,000</b>	–
Net profit/(loss) from ordinary activities attributable to shareholders	25	<b>(191,750)</b>	32,065
Dividends		–	(13,112)
Total equity at 31 December		<b>494,419</b>	838,843

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		<b>(187,042)</b>	52,609
Adjustments for:			
Interest expense	7	<b>6,301</b>	3,251
Share of losses of jointly-controlled entities		<b>160</b>	108
Interest income	6	<b>(99)</b>	(56)
Loss on disposal of fixed assets	6	<b>–</b>	96
Gain on partial disposal of interests in subsidiaries	6	<b>–</b>	(15,752)
Gain on disposal of interests in subsidiaries	6	<b>(9,170)</b>	–
Depreciation	6	<b>1,216</b>	1,306
Amortisation of goodwill		<b>21,350</b>	10,870
Impairment of goodwill		<b>162,000</b>	–
Provision for amounts due from jointly-controlled entities	6	<b>6,000</b>	–
Provision for other receivable	6	<b>3,994</b>	–
Proceeds from pre-sale of properties		<b>110,683</b>	123,789
Attributable profits on pre-sale properties		<b>(44,125)</b>	(87,967)
Development costs on properties under development		<b>(27,822)</b>	(133,564)
Profit from sale of properties		<b>(43,192)</b>	(11,992)
Operating profit/(loss) before working capital changes		<b>254</b>	(57,302)
Decrease in completed properties for sale		<b>7,270</b>	–
Decrease/(increase) in trade receivables		<b>(6,045)</b>	53,487
Decrease/(increase) in prepayments, deposits and other receivables		<b>(88,056)</b>	33,647
Decrease in an amount due from a Mainland China joint venture partner		<b>–</b>	28,284
Increase/(decrease) in trade payables, other payables and accruals		<b>16,562</b>	(11,530)
Decrease in an amount due to a Mainland China joint venture partner		<b>–</b>	(2)
Exchange adjustments on translation of the financial statements of overseas subsidiaries		<b>29</b>	(209)
Cash generated from/(used in) operations		<b>(69,986)</b>	46,375
Interest received		<b>99</b>	56
Interest paid		<b>(13,261)</b>	(12,765)
Overseas taxes paid		<b>(179)</b>	(243)
Dividends paid		<b>–</b>	(13,112)
Net cash inflow/(outflow) from operating activities		<b>(83,327)</b>	20,311

continued/...

**CONSOLIDATED CASH FLOW STATEMENT**

Year ended 31 December 2002

	<i>Notes</i>	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000 <i>(Restated)</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in fixed term deposits		–	2,829
Purchases of fixed assets		<b>(259)</b>	(656)
Proceeds from disposal of fixed assets		–	5
Proceeds from disposal of investment properties		<b>11,308</b>	37,569
Increase in amounts due from jointly-controlled entities		<b>(51)</b>	(11,822)
Investments in jointly-controlled entities		–	(518)
Disposal of subsidiaries	26(a)	<b>11,179</b>	–
Expenditure incurred for partial disposal of interests in subsidiaries		–	(250)
Decrease/(increase) in deposits pledged to a bank		<b>1,871</b>	(4,071)
<b>Net cash inflow from investing activities</b>		<b>24,048</b>	23,086
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		<b>76,695</b>	77,654
Repayments of bank loans		<b>(31,738)</b>	(71,537)
<b>Net cash inflow from financing activities</b>		<b>44,957</b>	6,117
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		<b>55,174</b>	5,662
Effect of foreign exchange rate changes, net		<b>5</b>	(2)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>40,857</b>	55,174
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>40,857</b>	55,174

## BALANCE SHEET

31 December 2002

	<i>Notes</i>	<b>2002</b> <b>HK\$'000</b>	2001 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets	13	<b>449</b>	711
Interests in subsidiaries	15	<b>419,358</b>	419,358
Other receivable	18	–	7,000
		<b>419,807</b>	427,069
<b>CURRENT ASSETS</b>			
Due from subsidiaries	15	<b>82,285</b>	294,250
Due from jointly-controlled entities		<b>1,004</b>	–
Prepayments, deposits and other receivables	18	<b>5,240</b>	983
Cash and bank balances		<b>164</b>	341
		<b>88,693</b>	295,574
<b>CURRENT LIABILITIES</b>			
Tax payable		<b>(3,610)</b>	(2,462)
Other payables and accruals	21	<b>(10,471)</b>	(10,862)
		<b>(14,081)</b>	(13,324)
<b>NET CURRENT ASSETS</b>			
		<b>74,612</b>	282,250
		<b>494,419</b>	709,319
<b>CAPITAL AND RESERVES</b>			
Issued capital	23	<b>59,600</b>	59,600
Reserves	25	<b>434,819</b>	649,719
		<b>494,419</b>	709,319

**Ho Tsam Hung**  
*Director*

**Ho Pak Hung**  
*Director*

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 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

### 2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

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

These SSAPs 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 those SSAPs which have had a significant effect on the financial statements are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated summary statement of changes in equity is now presented in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and jointly-controlled entities are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. Further details of this change are included in the accounting policy for "Foreign currencies" in note 3 to the financial statements.



## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated into Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 24 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the adoption of this SSAP.

### 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 2002. 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.

#### 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Subsidiaries (Continued)

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.

#### 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, 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 SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 January 2001 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.

#### 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment of assets (Continued)

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.

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%
Office 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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. 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 property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

#### Properties under development

Properties under development are stated at cost which includes all development expenditure, interest charges and other costs directly attributable to such properties.

Properties under development which have been pre-sold are stated at cost plus attributable profits less any foreseeable losses, and deposits received and instalments received.

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties is 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.

Properties under development which have either been pre-sold or which are intended for sale and are expected to be completed within one year from the balance sheet date are classified as current assets.

#### 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Completed properties for sale

Completed properties for sale are stated in the balance sheet at the lower of cost and net realisable value. Net realisable value is estimated by the directors based on the prevailing market conditions. Cost is determined by an apportionment of the total land and buildings cost attributable to unsold properties.

#### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

#### 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.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and jointly-controlled entities and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously-reported cash flows of the prior year.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, 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 investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 sheet 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.

#### 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 set out in "Properties under development" above;
- (iii) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### 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.

#### 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 bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are no restricted as to use.

### 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 property development segment engages in the construction of Haizhu Peninsula Garden in Guangzhou, the Mainland of the People's Republic of China ("Mainland China");
- (b) the property investment segment invests in shopping centres located in Guangzhou and Chongqing, Mainland China, for rental income potential;



## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 4. SEGMENT INFORMATION (Continued)

- (c) the corporate segment comprises corporate income and expense items; and  
 (d) the “others” segment engages in sale of online English learning courses.

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, results and certain asset, liability and expenditure information for the Group’s business segments.

	Sale and pre-sale of properties		Property investment		Corporate		Others		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue:										
Sales to external customers	165,799	210,487	5,912	5,277	–	–	800	–	172,511	215,764
Other revenue and gains – note 6	–	–	–	–	9,170	15,752	–	–	9,170	15,752
<b>Total</b>	<b>165,799</b>	<b>210,487</b>	<b>5,912</b>	<b>5,277</b>	<b>9,170</b>	<b>15,752</b>	<b>800</b>	<b>–</b>	<b>181,681</b>	<b>231,516</b>
Segment results	10,751	63,096	3,097	1,719	(10,704)	1,967	(7,474)	–	(4,330)	66,782
Interest income									99	56
Profit/(loss) from operating activities									(4,231)	66,838
Finance costs									(6,301)	(3,251)
Share of losses of jointly-controlled entities and amortisation and impairment of goodwill on acquisition of jointly-controlled entities									(176,510)	(10,978)
Profit/(loss) before tax									(187,042)	52,609
Tax									(12,048)	(18,651)
Profit/(loss) before minority interests									(199,090)	33,958
Minority interests									7,340	(1,893)
Net profit/(loss) from ordinary activities attributable to shareholders									(191,750)	32,065

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

## 4. SEGMENT INFORMATION (Continued)

	Sale and pre-sale of properties		Property investment		Corporate		Others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	-	928,863	272,374	432,932	353,320	36,197	645	-	626,339	1,397,992
Interests in jointly-controlled entities	-	-	-	-	138,903	321,362	-	-	138,903	321,362
Total assets									765,242	1,719,354
Segment liabilities	-	302,854	50,752	63,433	219,920	208,331	151	2	270,823	574,620
Other segment information:										
Depreciation and amortisation	525	608	282	290	21,756	11,278	3	-	22,566	12,176
Impairment of goodwill on acquisition of jointly-controlled entities	-	-	-	-	155,000	-	-	-	155,000	-
Other non-cash expenses	-	49	-	4	-	43	-	-	-	96
Capital expenditure	206	431	-	16	39	209	14	-	259	656
Provision for other receivable	-	-	-	-	-	-	3,994	-	3,994	-
Provision for amounts due from jointly-controlled entities	-	-	-	-	6,000	-	-	-	6,000	-
Surplus/(deficit) on revaluation of investment properties recognised directly in equity	9,364	(300)	(5,800)	591	-	-	-	-	3,564	291
Revaluation reserve released on disposal of investment properties	28,541	12,114	-	-	-	-	-	-	28,541	12,114

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 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	
	2002	2001
	HK\$'000	HK\$'000
Sale and pre-sale of properties	165,799	210,487
Rental income	5,912	5,277
Sale of online English learning courses	800	–
	172,511	215,764

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2002 HK\$'000	2001 HK\$'000
Cost of inventories sold	102,180	127,686
Depreciation	1,216	1,306
Impairment of goodwill arising during the year*	7,000	–
Minimum lease payments under operating leases on land and buildings	3,662	2,236
Staff costs (including directors' remuneration – note 8):		
Pension scheme contributions	127	127
Wages and salaries	8,766	10,769
	<b>8,893</b>	10,896
Auditors' remuneration	1,108	930
Loss on disposal of fixed assets*	–	96
Provision for amounts due from jointly-controlled entities*	6,000	–
Provision for other receivable *	3,994	–
Gross rental income from investment properties	(5,912)	(5,277)
Less: Outgoings	–	–
Net rental income	(5,912)	(5,277)
Exchange losses, net	879	276
Gain on partial disposal of interests in subsidiaries	–	(15,752)
Gain on disposal of interests in subsidiaries	(9,170)	–
Interest income	(99)	(56)

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 7. FINANCE COSTS

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interest expense on bank loans and overdrafts wholly repayable within five years	13,261	12,765
Less: Interest capitalised on properties under development	(6,960)	(9,514)
	<b>6,301</b>	3,251

### 8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Fees:		
Executive directors	840	1,080
Independent non-executive directors	430	490
	<b>1,270</b>	1,570
Other executive directors' emoluments:		
Salaries, allowances and benefits in kind	2,102	3,189
Pension scheme contributions	42	48
	<b>3,414</b>	4,807

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

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

The remuneration of the directors fell within the following bands:

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	8	5
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	–	2
	9	7

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 one (2001: three) director, details of whose remuneration are set out above. Details of the remuneration of the remaining four (2001: two) non-director, highest paid employees are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Salaries, allowances and benefits in kind	2,820	2,082
Pension scheme contributions	41	24
	2,861	2,106

The remuneration of the remaining four (2001: two) non-director, highest paid employees fell within the following bands:

	Number of employees	
	2002	2001
Nil – HK\$1,000,000	3	1
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	1	–
	4	2

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

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

During the year, no share options were granted to the directors or the four 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 24 to the financial statements.

During the year, no emoluments were paid by the Group to the directors or the four 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	
	2002	2001
	HK\$'000	HK\$'000
Provision for the year:		
Hong Kong	–	–
Elsewhere	12,048	18,651
	<b>12,048</b>	18,651

No provision for Hong Kong profits tax has been made as the Group did not generate any taxable profits in Hong Kong during the year (2001: Nil).

Mainland China tax has been calculated on the taxable income of the subsidiaries operating in Mainland China at the applicable rates.

No provision for deferred tax has been made in respect of accelerated capital allowances as the directors consider that a liability is not expected to crystallise in the foreseeable future.

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

### 10. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company is HK\$214,900,000 (2001: HK\$2,266,000).

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 11. DIVIDEND

	2002 HK\$'000	2001 HK\$'000
Interim – Nil per share (2001: HK0.2 cent, adjusted for the subdivision of shares (the “Subdivision”))	–	5,960

The directors do not recommend the payment of any final dividend (2001: Nil) in respect of the year.

### 12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK\$191,750,000 (2001: net profit of HK\$32,065,000) and the weighted average of 2,980,016,725 (2001: 2,980,016,725) ordinary shares in issue during the year. The weighted average number of ordinary shares in issue during the year ended 31 December 2001 used in the basic earnings per share calculation had been adjusted to reflect the Subdivision as detailed in note 23 to the financial statements.

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

The calculation of diluted earnings per share for the year ended 31 December 2001 was based on the net profit from ordinary activities attributable to shareholders for that year of HK\$32,065,000. The weighted average number of ordinary shares used in the calculation was the 2,980,016,725 ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average of 38,112,465 ordinary shares assumed to have been issued at no consideration on deemed exercise of all share options during that year.



## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 13. FIXED ASSETS

#### Group

	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost:						
At 1 January 2002	7,644	5,989	2,959	1,022	2,923	20,537
Additions	–	90	150	19	–	259
Disposal of subsidiaries	–	(5,506)	(2,461)	(280)	(2,286)	(10,533)
Exchange realignment	1	–	–	–	–	1
At 31 December 2002	7,645	573	648	761	637	10,264
Accumulated depreciation:						
At 1 January 2002	298	4,653	1,911	774	2,462	10,098
Provided during the year	213	348	330	135	190	1,216
Disposal of subsidiaries	–	(4,635)	(1,831)	(257)	(2,065)	(8,788)
At 31 December 2002	511	366	410	652	587	2,526
Net book value:						
At 31 December 2002	7,134	207	238	109	50	7,738
At 31 December 2001	7,346	1,336	1,048	248	461	10,439

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 13. FIXED ASSETS (Continued)

#### Company

	Leasehold improvements <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost:				
At 1 January 2002	573	423	576	1,572
Additions	–	37	1	38
At 31 December 2002	573	460	577	1,610
Accumulated depreciation:				
At 1 January 2002	252	177	432	861
Provided during the year	114	86	100	300
At 31 December 2002	366	263	532	1,161
Net book value:				
At 31 December 2002	207	197	45	449
At 31 December 2001	321	246	144	711

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 14. INVESTMENT PROPERTIES

	Group	
	2002 HK\$'000	2001 HK\$'000
At 1 January	408,200	445,600
Revaluation surplus – note 25	3,564	291
Disposals	(40,164)	(37,691)
Disposal of subsidiaries	(188,000)	–
At 31 December, at valuation	<b>183,600</b>	408,200

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 2002.

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.

### 15. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	467,158	467,158
Provision for impairment	(47,800)	(47,800)
	<b>419,358</b>	419,358
Due from subsidiaries	298,126	294,250
Provision against amounts due from subsidiaries	(215,841)	–
	<b>82,285</b>	294,250
	<b>501,643</b>	713,608

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 15. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of paid-up registered/ issued share capital	Percentage of equity attributable to the Company		Principal activities
			2002	2001	
<b>Directly held</b>					
China Land Realty Investment (BVI) Limited	British Virgin Islands/ Hong Kong	US\$11,204 Ordinary	100	100	Investment holding
<b>Indirectly held</b>					
Ample Dragon Limited #	British Virgin Islands/ Hong Kong	US\$300 Ordinary	–	51	Investment holding
Chongqing Smart Hero Real Estate Development Company Limited	Mainland China	US\$2,000,000	100	100	Property development, holding and management
Dongxum Real Estate Development Company Limited #	Hong Kong	HK\$2 Ordinary, HK\$300 Non-voting deferred (Note a)	–	51	Investment holding
Ever Brian Inc.	British Virgin Islands/ Mainland China	US\$1 Ordinary	100	100	Sale of online English learning courses
Guangzhou Dongxun Real Estate Development Company Limited #	Mainland China	HK\$184,130,000		(Note b)	Property development, holding and management
I-Action Agents Limited	British Virgin Islands/ Hong Kong	US\$1 Ordinary	100	100	Investment holding

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 15. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of paid-up registered/issued share capital	Percentage of equity attributable to the Company		Principal activities
			2002	2001	
<b>Indirectly held</b>					
Smart Hero (Holdings) Limited	Hong Kong	HK\$2 Ordinary, HK\$300 Non-voting deferred (Note a)	100	100	Investment holding

# The equity interests in these subsidiaries (the "Disposed Subsidiaries") were disposed of during the year.

During the year, the Group disposed of its 51% equity interest in Ample Dragon Limited, which holds the equity interest in Dongxum Real Estate Development Company Limited and Guangzhou Dongxun Real Estate Development Company Limited ("Guangzhou Dongxun"), for a total consideration of HK\$350,000,000 (note 26(a)). Details of the aforesaid transaction are set out in a circular to shareholders of the Company dated 13 December 2002.

Notes:

- 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.
- Guangzhou Dongxun is a co-operative joint venture established in Mainland China. In accordance with the terms of the joint venture agreement, the Group is responsible for contributing the entire registered capital of Guangzhou Dongxun, is entitled to the entire profits of Guangzhou Dongxun and is responsible for all of its losses.

The above table lists the subsidiaries of the Company as at 31 December 2002 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, the Group applied the transitional provision of SSAP 30 that permitted goodwill in respect of acquisition which occurred prior to 1 January 2001 to remain eliminated against consolidated retained profits.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 15. INTERESTS IN SUBSIDIARIES (Continued)

The movements of the goodwill remaining in consolidated retained profits as at 31 December 2002, arising from the acquisition of a subsidiary prior to 1 January 2001, is as follows:

	<i>HK\$'000</i>
Cost:	
At 1 January and 31 December 2002	35,000
Accumulated impairment:	
At 1 January 2002	–
Impairment provided during the year	7,000
At 31 December 2002	7,000
Net amount:	
At 31 December 2002	28,000
At 31 December 2001	35,000

### 16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	<b>Group</b>	
	<b>2002</b>	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	–	160
Goodwill on acquisition	<b>133,030</b>	309,380
Due from jointly-controlled entities	<b>11,873</b>	11,822
Less: Provision against amounts due from jointly-controlled entities	<b>(6,000)</b>	–
	<b>138,903</b>	321,362

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

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

	<i>HK\$'000</i>
<b>Group</b>	
Cost:	
At 1 January and 31 December 2002	320,250
Accumulated amortisation and impairment:	
At 1 January 2002	10,870
Provided during the year	21,350
Impairment provided during the year	155,000
At 31 December 2002	187,220
Net book value:	
At 31 December 2002	133,030
At 31 December 2001	309,380

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.

At the balance sheet date, a valuation of Shi Lian (the "Valuation") was performed by an independent firm of professionally qualified valuers. The Valuation was prepared based on an income approach with a discount rate of 25%. 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\$155,000,000 in the profit and loss account for the year ended 31 December 2002.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
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. At 31 December 2002, the aggregate amounts of the assets and liabilities of these jointly-controlled entities were as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Non-current assets	14,921	12,694
Current liabilities	(12,466)	(12,461)



## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 17. TRADE RECEIVABLES

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

	Group			
	2002		2001	
	HK\$'000	Percentage	HK\$'000	Percentage
Within 6 months	4,132	21	11,002	8
More than 6 months but within 1 year	9	–	–	–
More than 1 year but within 2 years	–	–	15,170	12
More than 2 years but within 3 years	–	–	22,707	17
Over 3 years	–	–	42,607	32
Not due as at 31 December	15,889	79	40,033	31
	<b>20,030</b>	<b>100</b>	131,519	100
Provision for doubtful debts	–		(14,736)	
	<b>20,030</b>		116,783	
Portion classified as current assets	<b>(8,113)</b>		(63,785)	
Non-current assets	<b>11,917</b>		52,998	

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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Non-current assets:				
Prepayments	–	21,608	–	–
Deposits	–	87,425	–	–
Other receivable <sup>#</sup>	<b>280,000</b>	7,000	–	7,000
	<b>280,000</b>	116,033	–	7,000
Current assets:				
Prepayments	<b>152</b>	117,073	<b>148</b>	114
Deposits and other receivables <sup>#</sup>	<b>91,762</b>	39,470	<b>5,092</b>	869
	<b>91,914</b>	156,543	<b>5,240</b>	983

<sup>#</sup> Other receivable 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 (note 26(a)). The instalment receivables are not yet due as at the balance sheet date.

### 19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

At 31 December 2002, bank deposits of approximately HK\$2,200,000 (2001: HK\$4,071,000) 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 approximately HK\$40,626,000 (2001: HK\$51,155,000). 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 20. TRADE PAYABLES

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

	Group			
	2002		2001	
	HK\$'000	Percentage	HK\$'000	Percentage
Within 6 months	664	2	23,565	18
More than 6 months but within 1 year	83	–	34,219	26
More than 1 year but within 2 years	8,670	23	2,197	2
More than 2 years but within 3 years	21	–	21,762	16
Over 3 years	28,226	75	51,380	38
	<b>37,664</b>	<b>100</b>	133,123	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	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals	14,705	23,059	10,471	10,862
Other liabilities	7,364	65,815	–	–
Due to a Mainland China joint venture partner ( <i>note</i> )	–	4,589	–	–
	<b>22,069</b>	93,463	<b>10,471</b>	10,862

*Note:* The amount due was unsecured, interest-free and had no fixed terms of repayment.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 22. INTEREST-BEARING BANK LOANS

	Group	
	2002 HK\$'000	2001 HK\$'000
Bank loans repayable:		
Within one year or on demand	10,974	147,410
In the second year	9,512	41,654
In the third to fifth years, inclusive	15,372	4,387
Beyond five years	15,268	–
	<b>51,126</b>	193,451
Current portion	<b>(10,974)</b>	(147,410)
	<b>40,152</b>	46,041

The Group had bank loan facilities amounting to HK\$52,700,000 (2001: HK\$198,915,000), of which approximately HK\$51,126,000 (2001: HK\$193,451,000) had been utilised at the balance sheet date. The bank loans were secured by certain of the Group's investment properties and a corporate guarantee executed by the Company.

### 23. SHARE CAPITAL

#### Shares

	2002 HK\$'000	2001 HK\$'000
<i>Authorised:</i>		
6,000,000,000 ordinary shares of HK\$0.02 each	120,000	120,000
<i>Issued and fully paid:</i>		
2,980,016,725 ordinary shares of HK\$0.02 each	59,600	59,600

Pursuant to an ordinary resolution passed at a special general meeting on 8 August 2001, the authorised and issued share capital of the Company was split such that each ordinary share of HK\$0.10 each was subdivided into five new shares of HK\$0.02 each. This resulted in a change in the Company's authorised shares from 1,200,000,000 shares of HK\$0.10 each to 6,000,000,000 shares of HK\$0.02 each, while the Company's issued shares changed from 596,003,345 shares of HK\$0.10 each to 2,980,016,725 shares of HK\$0.02 each. All of the Company's shares, after adjustment for the Subdivision, rank pari passu with each other in all respects.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 23. SHARE CAPITAL (Continued)

#### Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 24 to the financial statements.

### 24. SHARE OPTION SCHEMES

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

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 nor the New Scheme.

A summary of the Old Scheme and the New Scheme is 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 10 years from that date. The 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 2002, 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 24. SHARE OPTION SCHEMES (Continued)

#### (1) Old Scheme (Continued)

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.

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:

Name or category of participant	Number of share options			Date of grant of share options *	Exercise period of share options	Exercise price of share options ** HK\$
	At 1 January 2002	Lapsed during the year	At 31 December 2002			
<b>Directors</b>						
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
Lam Ling Tak	27,500,000	(27,500,000)*	–	1 June 2001	1 December 2001 to 1 December 2004	0.1395
	110,000,000	(27,500,000)	82,500,000			
<b>Other employees</b>						
In aggregate	19,500,000	(11,500,000)**	8,000,000	1 June 2001	1 December 2001 to 1 December 2004	0.1395
	129,500,000	(39,000,000)	90,500,000			

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 24. SHARE OPTION SCHEMES (Continued)

#### (1) Old Scheme (Continued)

- \* 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.
- # The share options lapsed one month after Lam Ling Tak resigned as a director of the Company during the year.
- \*\* The share options lapsed upon the termination of employees' employment during the year.

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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 24. 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.



## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 25. RESERVES

#### Group

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Investment properties revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2001	220,002	86,218	217,712	9,592	231,655	765,179
Exchange adjustment on translation of the financial statements of overseas subsidiaries	–	–	–	(218)	–	(218)
Revaluation reserve released on disposal of investment properties	–	–	(12,114)	–	–	(12,114)
Surplus on revaluation of investment properties – note 14	–	–	291	–	–	291
Net profit for the year	–	–	–	–	32,065	32,065
Interim 2001 dividend – note 11	–	(5,960)	–	–	–	(5,960)
At 31 December 2001 and 1 January 2002	220,002	80,258	205,889	9,374	263,720	779,243
Exchange adjustment on translation of the financial statements of overseas subsidiaries	–	–	–	35	–	35
Disposal of subsidiaries – note 26(a)	–	–	(125,451)	(9,281)	–	(134,732)
Revaluation reserve released on disposal of investment properties	–	–	(28,541)	–	–	(28,541)
Impairment of goodwill remaining eliminated against consolidated retained profits	–	–	–	–	7,000	7,000
Surplus on revaluation of investment properties – note 14	–	–	3,564	–	–	3,564
Net loss for the year	–	–	–	–	(191,750)	(191,750)
At 31 December 2002	220,002	80,258	55,461	128	78,970	434,819
Reserves retained by/ (losses accumulated in):						
Company and subsidiaries	220,002	80,258	55,461	128	79,238	435,087
Jointly-controlled entities	–	–	–	–	(268)	(268)
At 31 December 2002	220,002	80,258	55,461	128	78,970	434,819
Company and subsidiaries	220,002	80,258	205,889	9,374	263,828	779,351
Jointly-controlled entities	–	–	–	–	(108)	(108)
At 31 December 2001	220,002	80,258	205,889	9,374	263,720	779,243

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 25. RESERVES (Continued)

Notes:

- (a) The amount of goodwill arising on the acquisition of a subsidiary in prior years of HK\$28,000,000, after provision for impairment of HK\$7,000,000 as at 31 December 2002, 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 <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2001	220,002	553,286	(115,343)	657,945
Net loss for the year	–	–	(2,266)	(2,266)
Interim 2001 dividend – note 11	–	(5,960)	–	(5,960)
At 31 December 2001 and 1 January 2002	220,002	547,326	(117,609)	649,719
Net loss for the year	–	–	(214,900)	(214,900)
At 31 December 2002	220,002	547,326	(332,509)	434,819

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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Disposal of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of:		
Fixed assets	1,745	–
Investment properties	188,000	–
Properties under development	395,033	–
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)	–
Tax payable	(157,782)	–
Minority interests	(298,551)	–
	<b>324,268</b>	–
Exchange fluctuation reserve released on disposal	(9,281)	–
Revaluation reserve released on disposal	(125,451)	–
Gain on disposal of subsidiaries	160,464	–
Consideration	<b>350,000</b>	–
Satisfied by:		
Cash and other receivables	120,000	–
Property units	230,000	–
Consideration	<b>350,000</b>	–

The consideration of HK\$350,000,000 will 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 and fourth instalments of HK\$50,000,000 each will be settled by 31 July 2003 and 31 March 2004, respectively. The fifth instalment of HK\$230,000,000 will 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\$160,464,000 will be recognised in line with the settlement schedule of the consideration.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

#### (a) Disposal of subsidiaries (Continued)

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

	2002 HK\$'000	2001 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 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, 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 are yet to be developed as at 31 December 2002.
- (2) During the year, 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 expenditure 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 Disposed Subsidiaries as set out in note 26(a) above.

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 27. CONTINGENT LIABILITIES

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

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties	22,006	353,791	–	–
Guarantees given to a bank in respect of facilities granted to a subsidiary	–	–	52,700	11,700
	22,006	353,791	52,700	11,700

### 28. 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.

### 29. COMMITMENTS

#### (a) Capital commitments

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Capital commitments in respect of property development projects: Contracted, but not provided for	35,902	67,894	–	–
Capital commitment in respect of capital contribution to a subsidiary: Contracted, but not provided for	1,500	–	–	–
	37,402	67,894	–	–

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 29. COMMITMENTS (Continued)

#### (b) Commitments under operating leases

##### (i) As lessor

The Group leases certain of its investment properties under operating lease arrangements with leases negotiated for a terms of two years.

At 31 December 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	2,261	5,852
In the second to fifth years, inclusive	–	6,847
After five years	–	2,867
	<b>2,261</b>	15,566

##### (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 four years.

At 31 December 2002, the Company and the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	973	4,083	963	1,655
In the second to fifth years, inclusive	–	1,112	–	963
	<b>973</b>	5,195	<b>963</b>	2,618

## NOTES TO FINANCIAL STATEMENTS

31 December 2002

### 30. 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 24 April 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 and an investment deposit totalling approximately HK\$116,956,000. The indemnity covered the period from 24 April 2002 to 31 December 2002. The indemnity on the investment deposit of approximately HK\$87 million was released upon the disposal of certain subsidiaries on 31 December 2002.

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 covers the period from 1 January 2003 to 31 December 2003.

### 31. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs 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 comparative amounts have been reclassified to conform with the current year's presentation.

### 32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 April 2003.

## SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the respective published audited financial statements and reclassified as appropriate, is set out below:

### RESULTS

	Year ended 31 December				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Turnover	172,511	215,764	177,795	147,970	171,534
Profit/(loss) before tax	(187,042)	52,609	21,641	12,789	72,619
Tax	(12,048)	(18,651)	(11,513)	(10,571)	(23,680)
Profit/(loss) before minority interests	(199,090)	33,958	10,128	2,218	48,939
Minority interests	7,340	(1,893)	–	(38)	(41)
Net profit/(loss) from ordinary activities attributable to shareholders	(191,750)	32,065	10,128	2,180	48,898

### ASSETS, LIABILITIES AND MINORITY INTERESTS

	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
TOTAL ASSETS	765,242	1,719,354	1,393,558	1,305,148	1,293,216
TOTAL LIABILITIES	(270,823)	(574,620)	(561,627)	(472,982)	(410,592)
MINORITY INTERESTS	–	(305,891)	–	–	(1,230)
	494,419	838,843	831,931	832,166	881,394



## SCHEDULE OF PROPERTY INTERESTS

Particulars of the principal properties in Mainland China held by the Group as at 31 December 2002 are as follows:

### INVESTMENT PROPERTIES

Description	Use	Lease term	Approximate gross floor area (sq.m.)	Attributable percentage interest
1. The whole of Level 1, Level 2, Level 3, Level 4, Level 8, and Level 11, and portion of the Basement Level and Portion of Level 10 of Gang Yu Square Chiao Dong Road Chiaotianmen Chongqing	Commercial	Medium	24,372	100

### OPTIONS TO ACQUIRE PROPERTY INTERESTS

Description	Use	Approximate gross floor area (sq.m.)	Attributable site area (sq.m.)
1. A development site located at Jie Fang Nan Road Yuexiu District Guangzhou	Commercial/ Residential	260,000	21,860

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting of the Company will be held at The Park Lane Hong Kong, Park Lane IV, 27th Floor, 310 Gloucester Road, Hong Kong, at 10:30 a.m. on Thursday, 29 May 2003 for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors of the Company (the "Directors") and auditors of the Company (the "Auditors") for the year ended 31 December 2002.
2. To re-elect Directors and to fix their remuneration.
3. To re-appoint Auditors and to authorize the Directors to fix their remuneration.
4. As a special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

### ORDINARY RESOLUTIONS

A. **THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.02 each in the capital of the Company on The Stock Exchange of Hong Kong Ltd. (the "Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose under the Hong Kong Code on Share Repurchases, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and
  - (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company.

## NOTICE OF ANNUAL GENERAL MEETING

**B. THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares of HK\$0.02 each in the capital of the Company or securities convertible into such shares, or options, warrants or similar rights to subscribe for any shares in the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorize the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:
  - (i) a Rights Issue (as hereinafter defined) ;
  - (ii) an issue of shares as scrip dividends pursuant to the bye-laws of the Company from time to time;
  - (iii) an issue of shares of the Company upon the exercise of the subscription or conversion rights under the terms or any warrants or other securities issued by the Company carrying a right to subscribe for shares of the Company; and
  - (iv) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution, and the said approval shall be limited accordingly; and

- (d) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and

## NOTICE OF ANNUAL GENERAL MEETING

- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company; and

“Rights Issue” means the allotment issue or grant of shares pursuant to an offer of shares open for a period fixed by the Directors to holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).

- C. **THAT** subject to the passing of Resolutions No. 4A and No. 4B set out in the notice convening this meeting, the general mandate granted to the Directors to allot, issue and deal with additional shares pursuant to Resolution No. 4B set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 4A set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing of the said Resolution.

By Order of the Board

**Ho Tsam Hung**

*Chairman*

Hong Kong, 28 April, 2003

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, the proxy form together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than forty-eight hours before the time appointed for holding the meeting.
3. Concerning Resolution No. 4A above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of the shareholders. The explanatory statement containing the information necessary to enable the shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchases by the Company of its own shares, as required by the Rules Governing the Listing of Securities on the Stock Exchange will be set out in a circular from the Company to be enclosed with the 2002 annual report.
4. Concerning Resolution No. 4B above, the Directors wish to state that they have no present intention of issuing any new shares of the Company other than the new shares to be issued upon the exercise of subscription rights under the existing share option scheme of the Company, if any.