

Notes to the Financial Statements

For the year ended 31 December 2003

1. GENERAL

The Company is incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is as an investment holding company. The principal activities of its subsidiaries and an associate are set out in notes 27 and 28, respectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARD

In the current year, the Group has adopted, for first time, the following Hong Kong Financial Reporting Standard (“HKFRS”) issued by the Hong Kong Society of Accountants (“HKSA”). The term of HKFRS is inclusive of Statements of Standard Accounting Practice (“SSAP”) and Interpretations approved by the HKSA.

Income taxes

In the current year, the Group has adopted SSAP 12 (Revised) “Income taxes”. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of this standard has no significant effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and certain investments in securities.

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

Basis of consolidation

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture and fixture	20%
Computer equipment	33.33%

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

Goodwill/Negative goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising at the acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition. Negative goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet as a deduction from assets.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill/negative goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

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

Dividend income from investments in securities is recognised when the rights to receive payment have been established.

Rental income from investment properties under operating leases, are recognised on a straight-line basis over the terms of the relevant lease.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

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

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

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

Investments in subsidiaries

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

Income from investments in subsidiaries is accounted for when the Company's right to receive the dividend payment has been established.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the goodwill in so far as it has not already been amortised, less any identified impairment loss.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in jointly controlled entities

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

The consolidated income statement includes the Group's share of post-acquisition results of jointly controlled entities for the year. The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities less any identified impairment loss.

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at fair value at subsequent reporting dates.

When securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the year.

Impairment

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, income statements of subsidiaries, associates and joint ventures which are denominated in currencies other than the Hong Kong dollars are translated at the average exchange rates for the year and balance sheets are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the terms of the relevant lease.

Retirement benefit scheme

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into two operating divisions - treasury and investment, and property. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Treasury and investment:

The placing of deposits and investment in securities to generate income from interest, dividends and capital appreciation.

Funds are also advanced as loans to other parties on a secured or unsecured basis where suitable opportunities are identified to earn enhanced returns.

Property:

Investment in property to generate rental income.

Turnover by segment

	2003 HK\$ million	2002 HK\$ million
Treasury and investment		
Interest income on		
— bank deposits	—	2.5
— other loans	1.0	2.2
— unlisted convertible notes	3.6	5.0
Dividend income	1.3	2.3
	<u>5.9</u>	<u>12.0</u>
Property		
Rental income	<u>29.5</u>	<u>9.8</u>
Total turnover	<u><u>35.4</u></u>	<u><u>21.8</u></u>

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

Segment information about these businesses is presented below:

Income statement

	2003			Total HK\$ million
	Treasury and investment HK\$ million	Property HK\$ million	Others HK\$ million	
Segment result	<u>(39.5)</u>	<u>25.7</u>	<u>—</u>	(13.8)
Unallocated corporate expenses				<u>(3.5)</u>
Loss from operations				(17.3)
Gain on disposal of a jointly controlled entity	—	—	0.5	0.5
Share of results of an associate	—	—	(0.1)	(0.1)
Amortisation of goodwill	<u>—</u>	<u>—</u>	<u>(1.2)</u>	<u>(1.2)</u>
Loss before taxation				(18.1)
Taxation				<u>(3.1)</u>
Net Loss for the year				<u>(21.2)</u>

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

Income statement (Continued)

	2002			
	Treasury and investment HK\$ million	Property HK\$ million	Others HK\$ million	Total HK\$ million
Segment result	(8.3)	8.3	—	—
Unallocated corporate expenses	—	—	(4.1)	(4.1)
Loss before taxation				(4.1)
Taxation				(1.3)
Net loss for the year				(5.4)

Other information

	2003 HK\$ million	2002 HK\$ million
Capital additions		
Property	61.4	290.0
Others	150.4	—
Impairment loss on investments in securities		
Treasury and investment	—	21.1
Addition of goodwill in an associate	20.0	—
Addition of negative goodwill in a subsidiary	7.4	—

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

Balance sheet

	2003		2002	
	Segment assets HK\$ million	Segment liabilities HK\$ million	Segment assets HK\$ million	Segment liabilities HK\$ million
Treasury and investment	59.0	—	282.0	—
Property	384.0	—	320.0	—
Interest in an associate	88.4	—	—	—
Interest in a jointly controlled entity	—	—	19.5	—
Other corporate assets/liabilities	173.3	41.0	18.1	1.3
	<u>704.7</u>	<u>41.0</u>	<u>639.6</u>	<u>1.3</u>

(b) Geographical segments

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

	Turnover		Loss from operations	
	2003 HK\$ million	2002 HK\$ million	2003 HK\$ million	2002 HK\$ million
The People's Republic of China, excluding Hong Kong (the "PRC")	29.5	9.8	21.7	8.3
Hong Kong	5.9	12.0	(39.0)	(12.4)
	<u>35.4</u>	<u>21.8</u>	<u>(17.3)</u>	<u>(4.1)</u>

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(b) Geographical segments (Continued)

- (ii) The following is an analysis of the carrying amount of segment assets, and additions to plant and equipment, other assets, investment properties and intangible assets analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to plant and equipment, other assets, investment properties and intangible assets	
	31.12.2003 HK\$ million	31.12.2002 HK\$ million	Year ended 31.12.2003 HK\$ million	Year ended 31.12.2002 HK\$ million
The PRC	524.8	339.5	222.2	320.0
Hong Kong	91.5	300.1	2.2	—
	<u>616.3</u>	<u>639.6</u>	<u>224.4</u>	<u>320.0</u>

5. OTHER OPERATING INCOME

	2003 HK\$ million	2002 HK\$ million
Commission income	<u>—</u>	<u>0.9</u>

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

6. LOSS FROM OPERATIONS

	2003 HK\$ million	2002 HK\$ million
Loss from operations has been arrived at after charging (crediting):		
Directors' emoluments	0.3	0.3
Contributions to retirement benefit scheme	—	—
Other staff costs	0.1	0.1
	<u>0.4</u>	<u>0.4</u>
Auditors' remuneration	0.8	0.7
	<u>0.8</u>	<u>0.7</u>
Rental income less outgoings of HK\$6.7 million (2002: HK\$2.2 million)	<u>(22.8)</u>	<u>(7.6)</u>

(i) Information regarding directors' emoluments

	2003 HK\$ million	2002 HK\$ million
Directors' fees:		
Executive	—	—
Non-executive	—	—
Independent non-executive	0.3	0.3
Other emoluments:		
Salaries and other benefits	—	—
Contributions to retirement benefit scheme	—	—
	<u>—</u>	<u>—</u>
Total emoluments	<u>0.3</u>	<u>0.3</u>

The emoluments of two independent non-executive directors during the two years were within the band ranging from HK\$nil to HK\$1.0 million.

(ii) Information regarding employees' emoluments:

The five highest paid individuals included two directors disclosed in note 6(i) above. The emoluments of the five highest paid individuals amounted to HK\$0.4 million (2002: HK\$0.4 million).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

7. TAXATION

	2003 HK\$ million	2002 HK\$ million
The charge comprises:		
Hong Kong Profits Tax	(0.2)	(0.3)
Other jurisdictions	(2.9)	(1.0)
	<u>(3.1)</u>	<u>(1.3)</u>
Taxation attributable to the Company and its subsidiaries	(3.1)	(1.3)
Share of taxation attributable to an associate	—	—
	<u>(3.1)</u>	<u>(1.3)</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. The Profits Tax rate has increased with effect from the 2003 year of assessment.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2003 HK\$ million	2002 HK\$ million
Loss before taxation	<u>(18.1)</u>	<u>(4.1)</u>
Tax credit at the domestic income tax rate of 17.5% (2002: 16%)	3.2	0.7
Tax effect of expenses not deductible for tax purpose	(8.8)	(3.9)
Tax effect of income not taxable for tax purpose	0.9	1.7
Tax effect of tax losses not recognised	(0.4)	(0.4)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2.2	0.6
Others	(0.2)	—
Taxation charge for the year	<u>(3.1)</u>	<u>(1.3)</u>

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

8. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the year of approximately HK\$21.2 million (2002: HK\$5.4 million) and 29,282,000 (2002: 29,282,000) ordinary shares in issue.

There were no dilutive potential ordinary shares in existence during the year and last year. Accordingly, no diluted loss per share figures are presented.

9. PLANT AND EQUIPMENT

	Furniture and fixture HK\$ million	Computer equipment HK\$ million	Total HK\$ million
THE GROUP			
COST			
Acquisitions during the year	0.7	0.3	1.0
Acquired on acquisition of a subsidiary	1.3	—	1.3
	<hr/>	<hr/>	<hr/>
At 31 December 2003	2.0	0.3	2.3
DEPRECIATION			
Provided for the year and at 31 December 2003	0.1	—	0.1
	<hr/>	<hr/>	<hr/>
NET BOOK VALUES			
At 31 December 2003	1.9	0.3	2.2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

10. OTHER ASSETS

THE GROUP

The amounts represent machinery and equipment held with the intention of forming a joint venture in the PRC. No depreciation was provided for the year because the machinery and equipment have not yet been put into use.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

11. INVESTMENT PROPERTIES

	THE GROUP
	HK\$ million
VALUATION	
At 1 January 2003	320.0
Acquisition during the year	61.4
Surplus arising on valuation	2.6
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At 31 December 2003	384.0
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The Group's investment properties were revalued at 31 December 2003 by B.I. Appraisals Limited, a firm of registered professional surveyors, valuers and property consultants, on an open market value existing state basis. This valuation gave rise to a revaluation increase of HK\$2.6 million which has been credited to the investment property revaluation reserve.

All investment properties are situated in the PRC and held under medium-term leases for rental purposes.

At 31 December 2003, an investment property with an revalued amount of HK\$320.0 million was leased out under an operating lease, and the remaining properties amounting to HK\$64.0 million remained vacant.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

12. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003	2002
	HK\$ million	HK\$ million
Non-trading securities		
Equity securities listed in Hong Kong, at market value	—	174.3
Unlisted convertible notes	—	107.7
Unlisted shares overseas	59.0	—
	<u>59.0</u>	<u>282.0</u>

During the year, the Group disposed of its entire listed equity securities and unlisted convertible notes. The net realised loss on disposal of these securities amounted to approximately HK\$44.6 million (2002: HK\$nil).

In April 2003, the Group acquired convertible notes amounting to approximately HK\$88.0 million issued by an unlisted company. The notes bear interest at 5% per annum and will mature on 15 April 2005. The notes amounting to approximately HK\$29.0 million were partially redeemed at par value while the remaining balance of approximately HK\$59.0 million was converted to ordinary shares of the unlisted company.

13. INTEREST IN AN ASSOCIATE

	THE GROUP
	HK\$ million
Share of net assets	<u>69.6</u>
Goodwill	
At cost	
Arising from acquisition during the year and at 31 December 2003	20.0
Amortisation	
Amortisation for the year and at 31 December 2003	<u>1.2</u>
Unamortised goodwill at 31 December 2003	<u>18.8</u>
	<u>88.4</u>

Goodwill arising from the acquisition of an associate is amortised over its economic life of ten years.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

13. INTEREST IN AN ASSOCIATE (Continued)

On 14 May 2003, the Group acquired 25% of the equity interest in Zhejiang Risesun Paper Co., Ltd., a sino-foreign joint venture established in the PRC with limited liability, from unrelated third parties.

The following details have been extracted from the unaudited management accounts of Zhejiang Risesun Paper Co., Ltd. for the year ended 31 December 2003:

	HK\$ million
Results for the year	
Turnover	60.9
Loss before taxation	(0.4)
Share of results by the Group during the year	(0.1)
Financial position	
Non-current assets	293.1
Current assets	60.3
Current liabilities	(75.0)
Net assets	278.4
Net assets attributable to the Group	69.6

Details of the Group's associate are set out in note 28.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

14. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2003	2002
	HK\$ million	HK\$ million
Share of net assets	—	19.5

The jointly controlled entity was established for property development, management and related services in Chongqing, the PRC.

During the year, the jointly controlled entity was disposed of to an unrelated third party for cash consideration of HK\$20.0 million.

15. NEGATIVE GOODWILL

	THE GROUP
	HK\$ million
GROSS AMOUNT	
Arising on acquisition during the year and at 31 December 2003 (note 23)	7.4
CARRYING AMOUNT	
At 31 December 2003	7.4

The negative goodwill is released to income on a straight-line basis of ten years, the remaining weighted average useful life of the depreciable assets acquired. Since the negative goodwill was recognised close to year end, no negative goodwill was released to the consolidated income statement.

16. OTHER RECEIVABLES AND DEPOSITS

THE GROUP

Other receivables and deposits comprise interest receivables and sundry deposits, which are expected to be recovered within one year.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

17. OTHER PAYABLES AND ACCRUED CHARGES

THE GROUP

Other payables and accrued charges comprise accrued expenses and sundry payables, which are expected to be settled within one year.

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$ million	HK\$ million
Unlisted shares, at cost	0.1	0.1
Amounts due from subsidiaries	505.0	545.4
Amounts due to subsidiaries	—	(9.5)
	<u>505.1</u>	<u>536.0</u>

The amounts due from subsidiaries are unsecured and non interest-bearing. In the opinion of the directors, demand for repayment for the amounts due from subsidiaries will not be made within the next twelve months from the balance sheet date. Accordingly, the amounts are classified as non-current.

Details of the Company's subsidiaries at 31 December 2003 are set out in note 27.

19. DEFERRED TAXATION

During the year, the deferred tax liability recognised by the Group was attributable to the fair value adjustment on acquisition of a subsidiary in respect of other assets.

At the balance sheet date, the Group had unused tax losses of HK\$4.7 million (2002: HK\$2.3 million) available to offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

20. SHARE CAPITAL

	2003 HK\$ million	2002 HK\$ million
Authorised:		
100,000,000 ordinary shares of HK\$4 each	<u>400.0</u>	<u>400.0</u>
Issued and fully paid:		
29,282,000 ordinary shares of HK\$4 each	<u>117.1</u>	<u>117.1</u>

There were no changes in the Company's share capital during the two years.

21. RESERVES

	Share premium HK\$ million	Accumulated profits HK\$ million	Total HK\$ million
THE COMPANY			
At 1 January 2002	39.3	382.7	422.0
Net loss for the year	—	(3.6)	(3.6)
At 31 December 2002 and 1 January 2003	39.3	379.1	418.4
Net loss for the year	—	(1.4)	(1.4)
At 31 December 2003	<u>39.3</u>	<u>377.7</u>	<u>417.0</u>

At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to HK\$377.7 million (2002: HK\$379.1 million).

The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

22. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group is required to contribute 5% while the employees are required to contribute 5% of their salaries to the MPF Scheme.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

23. ACQUISITION OF A SUBSIDIARY

On 31 October 2003, the Group acquired 100% of the issued share capital of Toprich International Investments Limited for cash consideration of HK\$92.3 million. This acquisition has been accounted for by the acquisition method of accounting. The amount of negative goodwill arising as a result of the acquisition was HK\$7.4 million.

	HK\$ million
Plant and equipment	1.3
Other assets	148.2
Other receivables	1.0
Other payables	(25.3)
	<hr/>
Net assets acquired	125.2
Deferred tax liability arising on acquisition	(25.5)
	<hr/>
Identified net assets acquired	99.7
Negative goodwill	(7.4)
	<hr/>
	92.3
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Satisfied by:	
Cash	92.3
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Toprich International Investments Limited contributed HK\$0.3 million of the Group's loss from operations.

24. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of certain subsidiaries for cash consideration of HK\$0.2 million.

The net assets of these disposed subsidiaries at the date of disposal were as follows:

	HK\$ million
Other receivables	0.2
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Satisfied by:	
Cash	0.2
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The subsidiaries disposed of during the year did not have any significant impact to the Group's turnover and loss from operations.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

25. MAJOR NON-CASH TRANSACTION

During the year, the Group converted HK\$59.0 million of unlisted convertible notes to ordinary shares of an unlisted company.

26. OPERATING LEASE COMMITMENTS

The Group as lessor

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

	2003 HK\$ million	2002 HK\$ million
Within one year	<u>15.5</u>	<u>15.5</u>

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	2003 HK\$ million	2002 HK\$ million
Within one year	1.4	—
In the second to fifth year inclusive	<u>2.7</u>	<u>—</u>
	<u>4.1</u>	<u>—</u>

Operating lease payments represent rentals payable by the Group for its office property. The lease is negotiated for a term of three years and the rentals are fixed throughout the period of the lease.

At the balance sheet date, the Company had no operating lease commitments under operating lease (2002: nil).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

27. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2003 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued share capital	Proportion of nominal value of issued share capital held by the Company		Principal activity
			Directly %	Indirectly %	
Noble Congress Limited	British Virgin Islands*	1 ordinary share of US\$1 each	100	—	Investment holding
Accurate City Investments Limited	British Virgin Islands*	1 ordinary share of US\$1 each	—	100	Investment holding
Active Chance Limited	British Virgin Islands*	1 ordinary share of US\$1 each	—	100	Security investment
Asiawell Investments Limited	British Virgin Islands*	1 ordinary share of US\$1 each	—	100	Investment holding
Digital Faith Investments Limited	British Virgin Islands*	1 ordinary share of US\$1 each	—	100	Investment holding
Eastern Good Limited	British Virgin Islands*	1 ordinary share of US\$1 each	—	100	Property investment
Elite City Investment Limited	British Virgin Islands*	1 ordinary share of US\$1 each	—	100	Investment holding
Grand Noble Group Limited	British Virgin Islands*	2 ordinary shares of US\$1 each	—	100	Property investment
Max Margin Group Limited	British Virgin Islands*	1 ordinary share of US\$1 each	—	100	Property investment

Notes to the Financial Statements (Continued)

For the year ended 31 December 2003

27. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued share capital	Proportion of nominal value of issued share capital		Principal activity
			held by the Company		
			Directly %	Indirectly %	
Ocean Pearl Investments Limited	British Virgin Islands*	1 ordinary share of US\$1 each	—	100	Investment holding
Profit Guidance Limited	British Virgin Islands*	1 ordinary share of US\$1 each	—	100	Investment holding
Rosedale Investments Trading Limited	British Virgin Islands*	1 ordinary share of US\$1 each	—	100	Investment holding
Sincere Leader Limited	British Virgin Islands*	1 ordinary share of US\$1 each	—	100	Investment holding
Toprich International Investments Limited	Hong Kong	6,160,000 ordinary shares of US\$1 each	—	100	Investment holding
Up Global Limited	Hong Kong	2 ordinary shares of HK\$1 each	—	100	Treasury

* These companies have no specific principal place of operation.

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

28. PARTICULARS OF AN ASSOCIATE

Particulars of the Group's associate as at 31 December 2003 are as follows:

Name of associate	Place of establishment/ operation	Registered capital	Attributable percentage of equity interest held		Principal activities
			by the Group		
Zhejiang Risesun Paper Co., Ltd.	PRC	US\$3.615 million	25%		Manufacture and sales of paper-related products