

Notes to Financial Statements

1. CORPORATE INFORMATION

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

- securities dealing and brokerage
- money lending
- property investment

In the opinion of the directors, the ultimate holding company is Magnum Corporation Berhad, which is incorporated and listed in Malaysia.

2. BASIS OF PRESENTATION

The Group sustained a net loss from ordinary activities attributable to shareholders of HK\$21,990,980 for the year ended 31st December 2002 (2001: HK\$51,859,754). As at the balance sheet date, the Group had consolidated net current assets of HK\$28,051,849 (2001: HK\$46,894,018) and a consolidated deficiency in assets of HK\$27,204,317 (2001: HK\$5,213,337). The Company's holding companies, including Magnum Corporation Berhad, have agreed in writing to provide adequate financial support to the Group to enable it to operate as a going concern. The Company's holding companies have also agreed not to demand for the repayment of the amounts due by the Group, in the aggregate amount of HK\$87,919,147 as at the balance sheet date, until such time when the Group is in a position to repay the amounts due without impairing its liquidity position. After taking into consideration the financial support provided by the Company's holding companies as detailed above, and the consolidated net current assets of the Group of HK\$28,051,849 as at the balance sheet date, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised 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 33 : "Discontinuing operations"
- SSAP 34 : "Employee benefits"

Notes to Financial Statements

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (continued)

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

SSAP 1 prescribes the basis for the presentation of financial statements and set 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 statement of changes in equity is now presented on page 20 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions in the 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 are now translated to Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates 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 4 to the financial statements.

SSAP 15 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 to 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. Further details of these changes are included in the accounting policy for “Foreign currencies” in note 4 to the financial statements.

Notes to Financial Statements

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPS”) (continued)

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2 “Net profit or loss for the period, fundamental errors and changes in accounting policies”. The SSAP defines a discontinuing operation and prescribes when an enterprise should commence including discontinuing operations disclosures in its financial statements and the disclosures required. In the prior year, the Group ceased its securities dealing and brokerage businesses in the Philippines and such cessation of business did not constitute a discontinued operation under the definition in SSAP 2 and accordingly no such discontinued operations disclosures were required under SSAP 2 to be disclosed in the financial statements for the year ended 31st December 2001. However, as the Group’s securities dealing and brokerage businesses in the Philippines constituted a separate geographical area of the Group’s operations, its disposal constitutes a discontinued operation under the wider definition in SSAP 33. The principal impact of SSAP 33 is that more extensive disclosures concerning this discontinued operation are now included in the consolidated profit and loss account, consolidated cash flow statement and note 15 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. Disclosures are now required in respect of the Company’s share option schemes, as detailed in note 32 to the financial statements. These share options scheme disclosures are similar to the Listing Rules 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 SSAP.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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, certain fixed assets and equity investments, as further explained below.

Notes to Financial Statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December 2002. The results of 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.

Subsidiaries

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

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Related parties

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

Impairment of assets

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

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

Notes to Financial Statements

4. 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 the 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 or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the unexpired lease terms
Buildings	2.5%–10%
Leasehold improvements	Over the lease terms
Furniture and fixtures	20%
Motor vehicles	25%
Computers and equipment	30%–33%

Notes to Financial Statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

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.

In the prior years, certain leasehold land and buildings, other than investment properties, were stated at valuation. These leasehold land and buildings were transferred to investment properties in the prior years and the corresponding revaluation reserves were frozen at the time of such transfers. Upon disposal of these assets, these revaluation reserves are realised and transferred to retained earnings as a movement in reserves.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property 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 the 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.

Intangible assets

The intangible assets, representing the eligibility right to trade on or through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and The Philippines Stock Exchange, Inc., are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on the straight-line basis to write off the cost of the trading right over its estimated useful life of ten years.

Notes to Financial Statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other assets

Other assets held on a long term basis are stated at cost less any impairment losses on an individual asset basis.

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.

Short term investments

Short term investments consist of investments in equity securities which are expected to be realised within one year from the date of acquisition.

Investments in equity securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

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.

Notes to Financial Statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

- commission income on securities dealings, on a trade date basis;
- interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- rental income, in the period in which the properties are let out and on the straight-line basis over the lease terms; and
- dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the immediate following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of services to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a future outflow of resources from the Group.

Notes to Financial Statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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 all of its employees. 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, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of 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 lapse, are deleted from the register of outstanding options.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

Notes to Financial Statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries are translated to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balances are translated to Hong Kong dollars at the exchange rates 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 to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to 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 3 to the financial statements, the profit and loss accounts of overseas subsidiaries and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates at the balance sheet date. The adoption of the revised SSAPs 11 and 15 has had no material effect on the financial statements.

Notes to Financial Statements

5. TURNOVER

The current year's turnover represents commission and interest income from securities dealing and margin finance, interest income from consumer finance and property rental income.

An analysis of turnover is as follows:

	Group	
	2002	2001
	HK\$	HK\$
Commission and interest income from securities dealing and margin finance	6,471,998	11,166,810
Interest income from consumer finance	762,260	1,000,240
Property rental income	2,685,841	2,156,397
	9,920,099	14,323,447

6. 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 services provided. Each of the Group's business segments represents a strategic business unit that offers different types of services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- The securities dealing and margin finance segment provides securities dealing services in acquiring, disposing of and subscribing for securities listed on the Stock Exchange and other overseas markets and financial accommodation to facilitate the trading of these marketable securities.
- The consumer finance segment comprises the granting of personal loans.
- The property holding segment is involved in property investment.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of customers and assets are attributed to the segments based on the location of the assets.

Notes to Financial Statements

6. SEGMENT INFORMATION (continued)

(a) Business segments

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

	Securities dealing and margin finance		Consumer finance		Property holding		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue:										
Services provided to										
external customers	6,471,998	11,166,810	762,260	1,000,240	2,685,841	2,156,397	—	—	9,920,099	14,323,447
Other revenue	634,114	1,097,185	780	—	—	7,076	—	—	634,894	1,104,261
Total revenue	7,106,112	12,263,995	763,040	1,000,240	2,685,841	2,163,473	—	—	10,554,993	15,427,708
Segment results	(8,113,532)	(33,186,443)	(5,494,384)	(8,309,298)	(1,025,545)	(2,530,203)	2,425,147	2,811,530	(12,208,314)	(41,214,414)
Unallocated revenue and gains									325,139	91,319
Unallocated expenses									(3,401,554)	(3,562,859)
									(15,284,729)	(44,685,954)
Finance costs									(6,554,481)	(7,173,800)
Loss before tax									(21,839,210)	(51,859,754)
Tax									(151,770)	—
Net loss from ordinary activities attributable to shareholders									(21,990,980)	(51,859,754)

Notes to Financial Statements

6. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Securities dealing and margin finance		Consumer finance		Property holding		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment assets	69,762,611	83,677,996	28,158,620	28,187,455	29,179,307	31,532,929	(28,954,123)	(13,210,357)	98,146,415	130,188,023
Unallocated assets									1,431,421	28,874,887
Bank overdrafts included in segment assets	—	11,533	—	—	—	—	—	—	—	11,533
Total assets	69,762,611	83,689,529	28,158,620	28,187,455	29,179,307	31,532,929			99,577,836	159,074,443
Segment liabilities	33,433,087	39,185,066	43,942,984	38,519,841	1,427,075	1,431,216	(69,215,659)	(59,401,366)	9,587,487	19,734,757
Unallocated liabilities									117,194,666	144,541,490
Bank overdrafts included in segment assets	—	11,533	—	—	—	—	—	—	—	11,533
Total liabilities	33,433,087	39,196,599	43,942,984	38,519,841	1,427,075	1,431,216			126,782,153	164,287,780
Other segment information:										
Capital expenditure	18,507	478,298	—	—	—	85,540				
Depreciation	652,417	1,103,797	—	—	169,240	299,535				
Amortisation	505,910	505,910	—	—	—	—				
Unrealised holding losses on short term investments	665,397	4,567,750	—	—	—	—				
Deficit on revaluation of fixed assets recognised directly in equity	—	—	—	—	—	1,008,900				
Deficit on revaluation of fixed assets recognised in the profit and loss account	—	—	—	—	—	896,395				
Provision for doubtful debts	353,301	1,082,057	2,709,260	5,533,048	—	—				
Deficit on revaluation of investment properties	—	—	—	—	2,092,498	2,049,603				
Impairment of intangible assets recognised in the profit and loss account	1,904,412	—	—	—	—	—				
Impairment of other assets recognised in the profit and loss account	—	448,529	—	—	—	—				
Exchange losses realised upon discontinued operations	—	22,725,356	—	—	—	—				

Notes to Financial Statements

6. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Philippines		Eliminations		Consolidated	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Segment revenue:								
Services provided to external customers	9,920,099	13,673,804	—	649,643	—	—	9,920,099	14,323,447
Other revenue	654,220	501,955	305,813	693,625	—	—	960,033	1,195,580
Total revenue	10,574,319	14,175,759	305,813	1,343,268	—	—	10,880,132	15,519,027
Other geographical information:								
Segment assets	96,568,956	122,124,205	9,568,761	36,938,705	(6,559,881)	—	99,577,836	159,062,910
Bank overdrafts included in segment assets	—	11,533	—	—	—	—	—	11,533
	96,568,956	122,135,738	9,568,761	36,938,705	(6,559,881)	—	99,577,836	159,074,443
Capital expenditure	21,237	596,068	—	—	—	—	21,237	596,068

7. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

	Group	
	2002 HK\$	2001 HK\$
Interest expenses charged by a fellow subsidiary	21,876	59,741
Interest expenses charged by the immediate holding company	3,975,089	3,720,878
Interest expenses charged by an intermediate holding company	3,034,971	2,919,871

The interest expenses charged by a fellow subsidiary, the immediate holding company and an intermediate holding company during the year arose from their respective advances, further details of which, including terms, are disclosed in notes 27, 28 and 29, respectively.

Notes to Financial Statements

8. LOSS FROM OPERATING ACTIVITIES

This is arrived at after charging:

	Group	
	2002	2001
	HK\$	HK\$
Depreciation	892,019	1,595,323
Minimum lease payments under operating leases on land and buildings	1,404,385	1,510,382
Amortisation of intangible assets*	505,910	505,910
Write-off of fixed assets	—	13,181
Loss on disposal of short term investments	—	112,500
Staff costs (including directors' remuneration — note 9):		
Wages and salaries	7,506,382	8,873,723
Pension scheme contributions	328,182	375,410
	7,834,564	9,249,133
Auditors' remuneration	680,000	680,000
Deficit on revaluation of fixed assets	—	896,395
and after crediting:		
Gross rental income	2,685,841	2,156,397
Less: Outgoings	(74,352)	(85,217)
Net rental income	2,611,489	2,071,180
Exchange gains, net	234,115	4,698
Dividend income from listed investments	249,287	270,510
Interest income	3,855,405	6,106,232
Gain on disposal of fixed assets	72,044	—
Gain on disposal of short term investments	44,344	—

* The amortisation of the intangible assets for the year is included in "Other operating expenses" in the consolidated profit and loss account.

Notes to Financial Statements

9. DIRECTORS' REMUNERATION

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

	Group	
	2002	2001
	HK\$	HK\$
Fees	180,000	185,671
Other emoluments:		
Salaries, allowances and benefits in kind	1,887,260	1,891,260
Bonuses	354,815	354,815
Pension scheme contributions	84,963	84,963
	2,327,038	2,331,038
	2,507,038	2,516,709

During the year, directors' fees of HK\$60,000 (2001: HK\$49,562) were paid to the independent non-executive directors.

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

	Number of directors	
	2002	2001
Nil–HK\$1,000,000	5	8
HK\$1,500,001–HK\$2,000,000	1	1
	6	9

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2001: Nil).

During the year, 17,000,000 and 1,228,000 share options were granted to executive directors and independent non-executive directors, respectively, in respect of their services to the Group. However, 14,000,000 and 1,228,000 share options granted to executive directors and independent non-executive directors, respectively, were withdrawn during the year. Further details of which are set out in note 32 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

Notes to Financial Statements

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2001: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2001: three) non-director, highest paid employees are set out below:

	Group	
	2002	2001
	HK\$	HK\$
Salaries, allowances and benefits in kind	1,297,095	1,504,855
Bonuses	95,180	95,180
Pension scheme contributions	56,728	56,158
	1,449,003	1,656,193

The remuneration of each of the non-director, highest paid employees fell within the band of nil to HK\$1,000,000 for the two years ended 31st December 2002 and 2001.

During the year, 4,500,000 share options were granted to the three non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above five highest paid employees' remuneration disclosures.

11. FINANCE COSTS

	Group	
	2002	2001
	HK\$	HK\$
Interest on bank loans and overdrafts wholly repayable within five years	472,180	1,319,395
Interest expense on amounts due to related parties	7,031,936	6,700,490
	7,504,116	8,019,885

Notes to Financial Statements

12. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2002	2001
	HK\$	HK\$
Hong Kong profits tax:		
Provision for the year	130,138	—
Prior year underprovision	21,632	—
	151,770	—
Tax charge for the year	151,770	—

13. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31st December 2002 dealt with in the financial statements of the Company is HK\$22,406,688 (2001: HK\$31,344,042).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$21,990,980 (2001: HK\$51,859,754) and the weighted average of 615,024,175 (2001: 615,024,175) ordinary shares in issue throughout the year.

Diluted loss per share for the years ended 31st December 2002 and 2001 have not been shown as the share options outstanding during these two years had an anti-dilutive effect on the basic loss per share for these years.

15. DISCONTINUED OPERATIONS

On 3rd December 2001, the Company publicly announced the decision of its board of directors to discontinue the securities dealing and brokerage businesses in the Philippines. The Group planned to discontinue such operation by selling its assets and settling its liabilities in an orderly manner. The securities dealing and brokerage businesses in the Philippines represented a separate geographical area of operation of the Group.

Notes to Financial Statements

15. DISCONTINUED OPERATIONS (continued)

During the current year, the Group had substantially disposed of the assets and settled the liabilities of the operation in the Philippines except for the PSE Trading Right (note 19) and the PSE Shares (note 19). The Group had decided to hold the PSE Trading Right and the PSE Shares as investments of the Group. Therefore, the directors consider that the discontinuance was completed before 31st December 2002.

The turnover, other revenue, expenses and results of the securities dealing and brokerage businesses in the Philippines for the two years ended 31st December 2002 and 2001 were as follows:

	2002	2001
	HK\$	HK\$
TURNOVER	—	649,643
Other revenue and gains	305,814	693,625
Administrative expenses	(276,409)	(1,450,753)
Other operating income/(expenses), net	198,566	(1,331,235)
Write back provision for/(provision for) doubtful debts	496,868	(1,082,056)
Unrealised holding gains/(losses) on short term investments	882,353	(46,241)
Impairment of intangible assets	(1,904,412)	—
Impairment of other assets	—	(448,529)
Exchange losses realised upon discontinued operations	—	(22,725,356)
LOSS BEFORE TAX	(297,220)	(25,740,902)
Tax	—	—
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(297,220)	(25,740,902)

Notes to Financial Statements

15. DISCONTINUED OPERATIONS (continued)

The carrying amounts of the total assets and liabilities relating to the discontinued operations at 31st December 2002 are as follows:

	2002	2001
	HK\$	HK\$
Total assets*	6,921,702	36,938,705
Total liabilities	(447,814)	(27,520,538)
Net assets	6,473,888	9,418,167

* As at 31st December 2002, the balance includes an amount due from a group company of HK\$6,559,881 which is eliminated on consolidation. The PSE Trading Right and the PSE Shares, with an aggregate amount of HK\$2,647,059, are not included in the balance as at 31st December 2002 since these assets are now held by the Group for investment purposes.

16. FIXED ASSETS

Group

	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Motor vehicles	Computers and equipment	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Cost:						
At beginning of year	277,400	2,113,817	2,273,199	806,127	2,026,124	7,496,667
Additions	—	—	2,730	—	18,507	21,237
Disposals	—	(444,908)	(526,845)	(156,127)	(348,135)	(1,476,015)
Reclassified to investment properties - note 17	(277,400)	—	—	—	—	(277,400)
At 31st December 2002	—	1,668,909	1,749,084	650,000	1,696,496	5,764,489
Accumulated depreciation:						
At beginning of year	53,168	1,427,031	1,989,422	806,127	1,465,534	5,741,282
Provided during the year	1,734	404,636	214,224	—	271,425	892,019
Write-off on disposals	—	(444,908)	(526,845)	(156,127)	(348,135)	(1,476,015)
Reclassified to investment properties — note 17	(54,902)	—	—	—	—	(54,902)
At 31st December 2002	—	1,386,759	1,676,801	650,000	1,388,824	5,102,384
Net book value:						
At 31st December 2002	—	282,150	72,283	—	307,672	662,105
At 31st December 2001	224,232	686,786	283,777	—	560,590	1,755,385

Notes to Financial Statements

17. INVESTMENT PROPERTIES

	Group	
	2002	2001
	HK\$	HK\$
At beginning of year, at valuation	30,000,000	29,268,000
Reclassified from fixed assets - note 16	222,498	2,781,603
Deficit on revaluation	(2,092,498)	(2,049,603)
At 31st December	28,130,000	30,000,000

The investment properties are all situated in Hong Kong.

At 31st December 2002, the investment properties were valued by Vigers Hong Kong Limited, an independent professionally qualified valuers, on an open market use basis, at HK\$28,130,000.

All the investment properties of the Group are leased to third parties under operating leases, further summary details of which are included in note 36 to the financial statements.

Certain investment properties of the Group with carrying amounts of HK\$27,830,000 (2001: HK\$30,000,000) were pledged to banks to secure banking facilities granted to the Group as further set out in notes 26 and 37 to the financial statements.

Particulars of the investment properties are as follows:

Location	Approximate floor area	Existing use	Lease term	Group interest
a. Flat A & Flat B of 4th Floor and Roof thereto, Front Block, Wing Tai Centre, 12 Hing Yip Street, Kwun Tong, Hong Kong (76/2260th shares of and in Kwun Tong Inland Lot No. 83)	19,622 sq.ft.	Commercial	Medium	100%
b. Flat A & Flat B of 7th Floor, Front Block, Wing Tai Centre, 12 Hing Yip Street, Kwun Tong, Hong Kong (76/2260th shares of and in Kwun Tong Inland Lot No. 83)	16,818 sq.ft.	Commercial	Medium	100%

Notes to Financial Statements

17. INVESTMENT PROPERTIES (continued)

<u>Location</u>	<u>Approximate floor area</u>	<u>Existing use</u>	<u>Lease term</u>	<u>Group interest</u>
c. 4th Floor of Block A, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Hong Kong (94/3190th shares of and in Kwun Tong Inland Lot Nos. 51 and 52)	5,997 sq.ft.	Commercial	Medium	100%
d. Office 1 on 1st Floor, GITIC Centre, No. 28 Queen's Road East, Wan Chai, Hong Kong (15/1386th parts or shares of and in Sections B, C, D, E, F, G and Remaining Portion of Sub-section 106 of Section A of Marine Lot No. 65 and Sub-sections 3 and 4 of Section A of Marine Lot No. 65)	1,188 sq.ft.	Commercial	Long	100%
e. Apartment A on 20th Floor, Car Parking Space No. 172, 1st Floor, South Bay Towers, No. 59 South Bay Road, South Bay, Island South, Hong Kong (105/16026th shares of and in Rural Building Lot No. 1049)	2,545 sq.ft.	Residential	Long	100%
f. Car Parking Space No. 1, 1st Floor, King Yip Factory Building, No. 59 King Yip Street Kowloon, Hong Kong (Kwun Tong Inland Lot No. 70)	N/A	N/A	Medium	100%

Notes to Financial Statements

18. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK\$	2001 HK\$
Unlisted shares, at cost	143,919,955	143,919,955
Less: Provision for impairment	(134,596,104)	(134,326,589)
	9,323,851	9,593,366
Amounts due from subsidiaries	300,944,947	302,862,085
Less: Provisions for amounts due from subsidiaries	(225,356,642)	(207,767,885)
	75,588,305	95,094,200
Amounts due to subsidiaries	(54,942,662)	(48,382,921)
	29,969,494	56,304,645

The balances with subsidiaries are unsecured, interest-free and are not repayable within one year.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Watary Investments Limited	British Virgin Islands/ Hong Kong	US\$36,000	100	—	Investment holding
Magnum International Holdings Services Limited	Hong Kong	HK\$2	—	100	Provision of administrative services
Lismore Properties Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Property investment and investment holding

Notes to Financial Statements

18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ongreat Properties Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Property investment
Continuous Gain Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Property investment
Jenpoint Limited	Hong Kong	HK\$2	—	100	Trading of marketable securities
Wolston Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Property investment
Magnum International Finance Limited	Hong Kong	HK\$10,000,000	—	100	Money lending
Magnum International Securities Limited	Hong Kong	HK\$37,510,000	—	100	Securities dealing and margin finance
Magnum Financial Services Holdings Limited	British Virgin Islands/ Hong Kong	US\$2	100	—	Investment holding
Magnum International Securities, Inc. [#]	Philippines	PHP150,000,000	100	—	Dormant

[#] Audited by public accountants other than Ernst & Young Hong Kong or other Ernst & Young International member firms.

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

Notes to Financial Statements

19. INTANGIBLE ASSETS

	Group
	HK\$
<hr/>	
Cost:	
At beginning of year	5,059,100
Transferred from other asset — note 20	3,669,118
	<hr/>
At 31st December 2002	8,728,218
	<hr/>
Accumulated amortisation and impairment:	
At beginning of year	885,342
Amortised during the year	505,910
Impairment during the year recognised in the profit and loss account	1,904,412
	<hr/>
At 31st December 2002	3,295,664
	<hr/>
Net book value:	
At 31st December 2002	5,432,554
	<hr/>
At 31st December 2001	4,173,758
	<hr/>

Pursuant to the restructuring of The Philippines Stock Exchange, Inc. (the “PSE”), the Group received a trading right (the “PSE Trading Right”) and 50,000 ordinary shares of Peso 1 each in the PSE (the “PSE Shares”) in exchange for its share previously held in the PSE.

The carrying value of the previously held share in the PSE (note 20) has been fully allocated to the PSE Trading Right with nil cost being allocated to the PSE Shares.

The PSE Trading Right has been classified as an intangible asset as described above. The PSE Shares have been classified as short term investments in note 22 to the financial statements. Subsequent to their classification under these balance sheet categories, the PSE Stock Exchange and the PSE Shares have been treated under the Group’s intangible assets and short term investments accounting policies, respectively.

The impairment in value of intangible assets arose from the directors’ assessment of the estimated realisable value of the intangible assets with reference to the prevailing market conditions.

Notes to Financial Statements

20. OTHER ASSET

	2002	2001
	HK\$	HK\$
<hr/>		
At cost:		
At beginning of year	11,794,118	12,935,484
Exchange realignment	—	(1,141,366)
Transfer to intangible assets — note 19	(11,794,118)	—
	<hr/>	
At end of year	—	11,794,118
<hr/>		
Provision for impairment:		
At beginning of year	8,125,000	8,419,084
Provided during the year	—	448,529
Exchange realignment	—	(742,613)
Transfer to intangible assets — note 19	(8,125,000)	—
	<hr/>	
At end of year	—	8,125,000
<hr/>		
Carrying value at end of year	—	3,669,118

The other asset represented one share in the PSE previously held by the Group which was exchanged for a PSE Trading Right and 50,000 PSE Shares as further detailed in note 19.

Notes to Financial Statements

21. ACCOUNTS RECEIVABLE/ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

- (a) The credit terms provided to customers are consistent with the practice of the securities dealing industry. Details of the accounts receivable of the Group as at the balance sheet date, based on transaction date and net of provisions, are as follows:

Accounts receivable:

	Group	
	2002	2001
	HK\$	HK\$
Not yet due	1,075,631	2,416,483
0–30 days	803,974	2,591,214
Over 30 days	56,703	448,529
	1,936,308	5,456,226

- (b) Details of the accounts payable and accrued liabilities of the Group as at the balance sheet date are as follows:

Accounts payable:

	Group	
	2002	2001
	HK\$	HK\$
Not yet due	1,333,866	4,438,723
0–30 days	677,334	157,318
Over 30 days	1,005,449	9,292,415
	3,016,649	13,888,456
Accrued liabilities*	31,930,123	51,997,594
	34,946,772	65,886,050

* In the prior year, included in accrued liabilities was an amount of HK\$26,647,291 received from the sale of securities on behalf of the Company's immediate holding company and an intermediate holding company. The Group had been instructed by the holding companies to manage such amount on their behalf. The entire amount was deposited in the saving accounts of a subsidiary (note 25). During the year, the amount was repaid to the respective parties.

Notes to Financial Statements

22. SHORT TERM INVESTMENTS

	Group	
	2002	2001
	HK\$	HK\$
Listed equity investments, at market value:		
Hong Kong	7,951,600	10,416,750
Elsewhere	76,000	76,000
	8,027,600	10,492,750
Unlisted equity investments, at fair value	882,353	—
	8,909,953	10,492,750

23. CLIENT TRUST BANK ACCOUNTS

Client trust bank accounts represent clients' trust monies kept in the trust bank accounts of a subsidiary engaged in the securities dealing business. The application of the amounts maintained in such trust bank accounts is prescribed by the Securities Ordinance.

24. FIXED DEPOSIT, PLEDGED

The amount represents a bank deposit which is pledged to a bank to secure a bank overdraft facility of HK\$8,000,000 (2001: HK\$8,000,000) granted to the Group. The facility has not been utilised as at the balance sheet date (2001: utilised HK\$11,533) (note 37).

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash and bank balances which are not restricted as to use.

	Group		Company	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Cash and bank balances	2,258,430	36,691,114	13,837	14,979
Time deposit, non-pledged	19,000,000	—	—	—
	21,258,430	36,691,114	13,837	14,979

Notes to Financial Statements

25. CASH AND CASH EQUIVALENTS (continued)

As further detailed in note 21 to the financial statements above, in the prior year, included in the balance of the Group's cash and cash equivalents was an amount of HK\$26,647,291 held by the Group on behalf of the Company's immediate holding company and an intermediate holding company, which was repaid during the year.

26. BANK LOANS AND OVERDRAFTS, SECURED

	Group		Company	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Mortgage loans, secured	3,786,096	5,873,181	3,786,096	5,873,181
Term loans, secured	—	625,000	—	625,000
Bank overdrafts, secured	—	3,984,402	—	3,972,869
Total bank borrowings	3,786,096	10,482,583	3,786,096	10,471,050
Portion classified as current liabilities	(2,224,418)	(6,696,114)	(2,224,418)	(6,684,581)
Long term portion	1,561,678	3,786,469	1,561,678	3,786,469
The maturities of bank borrowings are as follows:				
Within one year	2,224,418	6,696,114	2,224,418	6,684,581
In the second year	1,561,678	2,223,696	1,561,678	2,223,696
In the third to fifth years, inclusive	—	1,562,773	—	1,562,773
	3,786,096	10,482,583	3,786,096	10,471,050

Details of the assets pledged as security for the Group's banking borrowings are set out in note 37 to the financial statements.

Notes to Financial Statements

27. AMOUNT DUE TO A FELLOW SUBSIDIARY

The balance is unsecured, bears interest at rates ranging from 0.96% to 1.30% (2001: 0.94% to 4.84%) per annum and is not repayable within one year.

28. AMOUNT DUE TO THE IMMEDIATE HOLDING COMPANY

Except for an amount of HK\$53,049,000 (2001: HK\$53,049,000) which bears interest at 7.00% (2001: 7.00%) per annum, the balance owed by the Group is unsecured, interest-free and is not repayable within one year. In respect of the amount due by the Company, the balance is unsecured, bears interest at 7.00% (2001: 7.00%) per annum and is not repayable within one year.

29. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

The balance is unsecured, bears interest at 6.90% (2001: rates ranging from 6.90 to 7.20%) per annum and is not repayable within one year.

30. DEFERRED TAX

There are no significant potential deferred tax liabilities for which provision has not been made (2001: nil).

The principal component of the Group's unprovided deferred tax asset is as follows:

	2002	2001
	HK\$	HK\$
Tax losses	25,993,754	23,638,560

The revaluations of the Group's investment properties do not constitute timing differences and, consequently, the amount of potential deferred tax thereon has not been quantified.

Notes to Financial Statements

31. SHARE CAPITAL

Shares

	2002	2001
	HK\$	HK\$
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000,000	100,000,000
Issued and fully paid:		
615,024,175 ordinary shares of HK\$0.10 each	61,502,418	61,502,418

There were no movements in the Company's share capital during either the current or prior years.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 32 to the financial statements.

32. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 3 and under the heading "Employee benefits" in note 4 to the financial statements. As a result, these 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.

On 30th October 1992, the Company adopted a share option scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Old Scheme was terminated and replaced by a new share option scheme adopted at a special general meeting held on 11th June 2002 (the "New Scheme").

Notes to Financial Statements

32. SHARE OPTION SCHEME (continued)

(a) Summary of each share option scheme under the Group is set out as follows:

The Old Scheme and the New Scheme

	Old Scheme	New Scheme
Purpose	Provide incentives and rewards to eligible participants.	Provide incentives and rewards to eligible participants.
Participants	Full-time employees (including full-time executive directors) of the Company or any of its subsidiaries.	<p>Eligible participants include:</p> <ul style="list-style-type: none"> (i) employees (whether full-time or part-time employees, including any executive directors but not any non-executive director) of the Company and its subsidiaries or any invested entity; (ii) any non-executive director (including independent non-executive directors) of the Company and its subsidiaries or any invested entity; (iii) any supplier of goods or services to any member of the Group or any invested entity; (iv) any customer of the Group or any invested entity;

Notes to Financial Statements

32. SHARE OPTION SCHEME (continued)

	Old Scheme	New Scheme
		<p>(v) any person or entity that provides research, development or other technological support to the Group or any invested entity; and</p> <p>(vi) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group or any invested entity.</p>
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report	10% of the issued share capital.	61,502,417 ordinary shares, being 10% of the issued share capital.
Maximum entitlement of each participant	The maximum number of ordinary shares shall not exceed 25% of the total number of ordinary shares in respect of the options that may be granted in accordance with the scheme.	The maximum number of ordinary shares must not exceed 1% of the issued ordinary share capital of the Company in issue in any 12-month period.
Period within which the securities must be taken up under an option	Not applicable.	Subject to the board of directors' discretion on issuance.

Notes to Financial Statements

32. SHARE OPTION SCHEME (continued)

	Old Scheme	New Scheme
Minimum period for which an option must be held before it can be exercised	The options may be exercised at any time during the period commencing six months after the date of acceptance of the grant of the options ("Commencement Date") and ending two years after the Commencement Date or 29th October 2002, whichever is earlier.	Not applicable.
Amount payable on acceptance	HK\$10.00	HK\$1.00
Period within which payments/calls/ loans must be made/repaid	Not applicable.	Not applicable.

Notes to Financial Statements

32. SHARE OPTION SCHEME (continued)

	Old Scheme	New Scheme
Basis of determining the exercise price	<p>Determined by the directors at their discretion based on the higher of:</p> <ul style="list-style-type: none"> (i) not less than 80% of the average closing prices of the ordinary shares on the Stock Exchange on the five trading days immediately preceding the offer date, and (ii) the nominal value of an ordinary share. 	<p>Determined by the directors at their discretion but shall not be lower than the highest of:</p> <ul style="list-style-type: none"> (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a trading day; (ii) the average closing price of the ordinary shares in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the offer date; and (iii) the nominal value of a ordinary share.

Notes to Financial Statements

32. SHARE OPTION SCHEME (continued)

	Old Scheme	New Scheme
The remaining life of the scheme	The scheme was terminated on 29th October 2002.	The scheme will be valid and effective for a period of 10 years commencing on the date on which the Stock Exchange granting approval of the New Scheme and the granting of Option hereunder and granting the listing of, and permission to deal in, the ordinary shares to be issued pursuant to the exercise of options under the New Scheme (i.e. until 10th June 2012), after which period no further options will be granted but the provisions of the New Scheme shall remain in full force and effect in all other respects. Options complying with the provisions of the Listing Rules which are granted during the duration of the New Scheme and remain unexercised immediately prior to the end of the 10-year period shall continue to be exercisable in accordance with their terms of grant within the option period for which such options are granted, notwithstanding the expiry of the New Scheme.

Notes to Financial Statements

32. SHARE OPTION SCHEME (continued)

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

Name and category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Exercise price of share options*
	At 1st January 2002	Lapsed during the year	At 31st December 2002			
Directors						
Lim Teong Leong	6,000,000	(6,000,000)	—	1st Jun 2001	2nd Dec 2001 to 29th Oct 2002	0.10
Tam Cheok Wing	4,000,000	(4,000,000)	—	22nd Feb 2000	23rd Aug 2000 to 22nd Aug 2002	0.37
Ooi Sin Heng	2,000,000	(2,000,000)	—	22nd Feb 2000	23rd Aug 2000 to 22nd Aug 2002	0.37
Chan Hon Ming	2,000,000	(2,000,000)	—	22nd Feb 2000	23rd Aug 2000 to 22nd Aug 2002	0.37
	14,000,000	(14,000,000)	—			
Other employees						
In aggregate	10,450,000	(10,450,000)	—	22nd Feb 2000	23rd Aug 2000 to 22nd Aug 2002	0.37
	1,390,000	(1,390,000)	—	11th Oct 2000	12th Apr 2001 to 29th Oct 2002	0.21
	11,840,000	(11,840,000)	—			
Total	25,840,000	(25,840,000)	—			

Notes to Financial Statements

32. SHARE OPTION SCHEME (continued)

(c) The following share options were outstanding under the New Scheme during the year:

Name and category of participant	Number of share options				At 31st December 2002	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$	Company's price at grant date of options** HK\$
	At 1st January 2002	Granted during the year	Lapsed during the year	Withdrawn during the year					
Directors									
Lim Teong Leong	—	6,000,000	—	(6,000,000) [#]	—#	8th July 2002	8th July 2002 to 7th July 2012	0.111	0.104
Tam Cheek Wing	—	5,000,000	—	(5,000,000) [#]	—#	8th July 2002	8th July 2002 to 7th July 2012	0.111	0.104
Ooi Sin Heng	—	3,000,000	—	(3,000,000) [#]	—#	8th July 2002	8th July 2002 to 7th July 2012	0.111	0.104
Chan Hon Ming	—	3,000,000	—	—	3,000,000	8th July 2002	8th July 2002 to 7th July 2012	0.111	0.104
Gan Cheong Ann	—	614,000	—	(614,000) [#]	—#	8th July 2002	8th July 2002 to 7th July 2012	0.111	0.104
Kwan Huey Jin	—	614,000	—	(614,000) [#]	—#	8th July 2002	8th July 2002 to 7th July 2012	0.111	0.104
	—	18,228,000	—	(15,228,000)	3,000,000				
Other employees									
In aggregate	—	18,900,000	(450,000)	—	18,450,000	8th July 2002	8th July 2002 to 7th July 2012	0.111	0.104
Total	—	37,128,000	(450,000)	(15,228,000)	21,450,000				

* 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 price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

During the year, these directors declared their withdrawal and revocation of the acceptance of all of these share options granted on 8th July 2002 under the New Scheme. The reason for this is that, as an employee of Magnum Corporation Berhad ("MCB"), the Company's ultimate holding company, each employee may only participate in one employees' share option scheme within MCB and its subsidiary and each of these directors had already participated in the share option scheme of MCB. The cancellation of these share options will be effective upon the approval by shareholders at the forthcoming 2003 annual general meeting.

Notes to Financial Statements

32. SHARE OPTION SCHEME (continued)

The share options do not confer rights on the holders to dividends or to vote at shareholders meetings.

Excluding the share options granted to directors which will be cancelled after the balance sheet date, at the balance sheet date, the Company had 21,450,000 share options outstanding under the New Scheme. The exercise in full of these remaining share options would, under the present capital structure of the Company, result in the issue of 21,450,000 additional ordinary shares of the Company and additional share capital of HK\$2,145,000 and share premium of HK\$235,950 (before issue expenses).

33. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in the equity on page 20 of the financial statements.

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation on 30th October 1992 over the nominal value of the Company's shares issued in exchange therefor.

Notes to Financial Statements

33. RESERVES (continued)

(b) Company

	Share premium account HK\$	Contributed surplus HK\$	Accumulated losses HK\$	Total HK\$
At 1st January 2001	168,315,330	95,165,446	(299,249,104)	(35,768,328)
Net loss for the year	—	—	(31,344,042)	(31,344,042)
At 31st December 2001 and 1st January 2002	168,315,330	95,165,446	(330,593,146)	(67,112,370)
Net loss for the year	—	—	(22,406,688)	(22,406,688)
At 31st December 2002	168,315,330	95,165,446	(352,999,834)	(89,519,058)

The Company's contributed surplus represents the excess of the fair values of the shares of the subsidiaries acquired pursuant to the reorganisation referred to in note 33(a) above, 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, but does not presently qualify to do so.

34. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

As further detailed in notes 19 and 20 to the financial statements, during the year, the Group received a PSE Trading Right and 50,000 PSE Shares in exchange for its share previously held in the PSE. There was no effect on the Group's cash flows in respect of such exchange of assets.

Notes to Financial Statements

35. CONTINGENT LIABILITIES

	Company	
	2002	2001
	HK\$	HK\$
Guarantees given to a bank in connection with facilities granted to a subsidiary	62,000,000	62,000,000

None of the above facilities was utilised as at the balance sheet date (2001: utilised HK\$11,533).

The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$318,736 as at 31st December 2002, as further explained in note 4 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Save as disclosed above, neither the Group nor the Company had any significant contingent liabilities as at the balance sheet date.

Notes to Financial Statements

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 17) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 2 years. The terms of the leases generally also require tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	Group	
	2002	2001
	HK\$	HK\$
Within one year	1,812,208	2,046,988
In the second to fifth years, inclusive	359,500	1,049,200
	2,171,708	3,096,188

(b) As lessee

The Group leases certain of its office and residential properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

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

	Group		Company	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Within one year	1,250,968	903,450	1,078,000	774,345
In the second to fifth years, inclusive	819,312	—	784,000	—
	2,070,280	903,450	1,862,000	774,345

Notes to Financial Statements

37. PLEDGE OF ASSETS

At the balance sheet date, the Group's investment properties situated in Hong Kong with carrying values of HK\$27,830,000 (2001: HK\$30,000,000), and its bank deposits amounting to HK\$5,000,000 (2001: HK\$5,000,000) were pledged to certain banks for banking facilities granted to the Group.

38. COMPARATIVE AMOUNTS

As further explained in note 3 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 and balances 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.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15th April 2003.