

For the year ended 31st March, 2004

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Best Chance Holdings Limited, a company which is incorporated in the British Virgin Islands with limited liability.

The Company is an investment holding company. The activities of its principal subsidiaries and associate are set out in notes 13 and 14 respectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted for the first time, the Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants ("HKSA"). The principal effect of the implementation of SSAP12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. 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 amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

The results of subsidiaries and associate which are 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 are eliminated on consolidation.

Negative goodwill

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

Negative goodwill arising on acquisition is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

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

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate.

For the year ended 31st March, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in subsidiaries

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

Investment in an associate

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, the investment in associate is stated at the Group's share of the net assets of the associate less the negative goodwill in so far as it has not already been released to income, less any identified impairment loss.

Revenue recognition

Income from provision of freight forwarding agency services is recognised when the services are rendered.

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

Sales of investments in securities are recognised when the sales contract becomes unconditional.

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

For the year ended 31st March, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment property

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

Investment property is stated at open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment property is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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

No depreciation or amortisation is provided on investment property except where the unexpired term, including the renewal period, of the relevant lease is twenty years or less.

Property, plant and equipment

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

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

Leasehold improvements	15% or over the term of the lease, whichever is shorter
Furniture and fixtures	10% – 33.33%
Office equipment	10% – 20%
Motor vehicles	16.67% – 33.33%

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

For the year ended 31st March, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. 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, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Operating leases

Rentals payable in respect of operating leases are charged to the income statement on a straight line basis over the relevant lease term.

Investments in securities

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

Investments other than held-to-maturity securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

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

For the year ended 31st March, 2004

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, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefit schemes

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense as they fall due.

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on 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, 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 the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

For the year ended 31st March, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 profits 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 in 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.

4. TURNOVER

	2004	2003
	HK\$'000	HK\$'000
International air and sea freight forwarding	13,122	11,004
Securities investment	57,849	17,405
	<hr/>	<hr/>
	70,971	28,409
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's operations are principally located in North and South America, Hong Kong, other locations in the People's Republic of China (the "PRC") and others. An analysis of the Group's revenue and contribution to operating results and segmental assets and liabilities by business segment is as follows:

For the year ended 31st March, 2004	International air and sea freight forwarding <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover			
External	<u>13,122</u>	<u>57,849</u>	<u>70,971</u>
Results			
Segment result	<u>(62)</u>	<u>9,433</u>	9,371
Unallocated corporate expenses			(13,758)
Interest income			<u>1,279</u>
Loss from operations			(3,108)
Interest on borrowings wholly repayable within five years			(42)
Share of results of an associate			<u>(43,576)</u>
Loss before taxation			(46,726)
Taxation			<u>(110)</u>
Net loss for the year			<u>(46,836)</u>
ASSETS			
Segment assets	<u>2,427</u>	<u>40</u>	2,467
Interest in an associate			46,442
Unallocated corporate assets			<u>49,590</u>
Consolidated total assets			<u>98,499</u>
LIABILITIES			
Segment liabilities	<u>2,377</u>	<u>4</u>	2,381
Unallocated corporate liabilities			<u>8,508</u>
Consolidated total liabilities			<u>10,889</u>
OTHER INFORMATION			
Additions to property, plant and equipment	52	101	153
Depreciation	<u>15</u>	<u>407</u>	<u>422</u>

For the year ended 31st March, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

For the year ended 31st March, 2003	International air and sea freight forwarding HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
Turnover			
External	<u>11,004</u>	<u>17,405</u>	<u>28,409</u>
Results			
Segment result	<u>(2,293)</u>	<u>(15,209)</u>	(17,502)
Unallocated corporate expenses			(39,853)
Interest income			<u>2,004</u>
Loss from operations			(55,351)
Interest on borrowings wholly repayable within five years			(19)
Gain on dilution of interest in a subsidiary			13,809
Share of results of an associate			<u>(5,067)</u>
Loss before taxation			(46,628)
Taxation			<u>(180)</u>
Loss before minority interests			(46,808)
Minority interests			<u>88</u>
Net loss for the year			<u>(46,720)</u>
ASSETS			
Segment assets	<u>1,767</u>	<u>14,189</u>	15,956
Interest in an associate			48,018
Unallocated corporate assets			<u>77,305</u>
Consolidated total assets			<u>141,279</u>
LIABILITIES			
Segment liabilities	<u>1,961</u>	<u>1,185</u>	3,146
Unallocated corporate liabilities			<u>3,665</u>
Consolidated total liabilities			<u>6,811</u>
OTHER INFORMATION			
Additions to property, plant and equipment	2,352	–	2,352
Depreciation	840	–	840
Unrealised holding loss on investments in securities	–	14,513	14,513
Impairment loss on investments in securities	<u>–</u>	<u>21,450</u>	<u>21,450</u>

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For the year ended 31st March, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

GEOGRAPHICAL SEGMENTS

The following provides an analysis of the Group's turnover by geographic market, irrespective of the origin of the goods/services.

	Turnover	
	2004 HK\$'000	2003 HK\$'000
North and South America	6,282	5,087
Hong Kong	57,849	17,405
Others	6,840	5,917
	<u>70,971</u>	<u>28,409</u>

The following is an analysis of the carrying amount of segment assets and capital additions analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
North and South America	1,422	902	–	–
Hong Kong	46,886	87,548	84	77
PRC	49,187	51,964	17	2,273
Others	1,004	865	52	2
	<u>98,499</u>	<u>141,279</u>	<u>153</u>	<u>2,352</u>

For the year ended 31st March, 2004

6. OTHER OPERATING INCOME

	2004 HK\$'000	2003 HK\$'000
Interest income	1,279	2,004
Dividend income from listed securities	181	69
Surplus arising on revaluation of investment property	90	–
Sundry income	49	285
	<u>1,599</u>	<u>2,358</u>

7. LOSS FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs		
– directors' emoluments (<i>note 8(a)</i>)	2,218	1,954
– other staff costs	3,138	4,030
– retirement benefits scheme contributions, excluding directors and net of forfeited contributions of HK\$61,000 for the year ended 31st March, 2003	129	135
Total staff costs	<u>5,485</u>	<u>6,119</u>
Auditors' remuneration	560	634
Allowances for bad and doubtful debts	–	1,734
Deficit arising on revaluation of investment property	–	120
Depreciation	422	840
Loss on disposal of property, plant and equipment	42	21
Unrealised holding loss on investments in securities	–	14,513
	<u>–</u>	<u>14,513</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) DIRECTORS' EMOLUMENTS

	2004 HK\$'000	2003 HK\$'000
Fees:		
– Executive directors	–	–
– Independent non-executive directors	120	120
	<u>120</u>	<u>120</u>
Other emoluments:		
– Executive directors		
Salaries and other benefits	2,009	1,754
Retirement benefits scheme contributions	89	80
	<u>2,098</u>	<u>1,834</u>
Total directors' remuneration	<u><u>2,218</u></u>	<u><u>1,954</u></u>

The aggregate remuneration of each individual director was less than HK\$1,000,000.

(b) EMPLOYEES' EMOLUMENTS

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

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	622	908
Retirement benefits scheme contributions	30	41
	<u>652</u>	<u>949</u>

During the years ended 31st March, 2004 and 2003, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group.

For the year ended 31st March, 2004

9. TAXATION

The charge for both years represent provision for tax in jurisdictions other than Hong Kong calculated at the rates prevailing in the relevant jurisdictions.

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Loss before taxation	<u>(46,726)</u>	<u>(46,628)</u>
Tax at the income tax rate of 17.5%	(8,177)	(8,160)
Tax effect of share of results of associates	5,680	1,027
Tax effect of expenses that are not deductible in determining taxable profit	2,679	7,601
Tax effect of income that are not taxable in determining taxable profit	(48)	(2,450)
Tax effect of utilisation of tax loss not previously recognised	(1,727)	(1,721)
Tax effect of tax losses not recognised	1,873	4,497
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u>(170)</u>	<u>(614)</u>
Tax expense for the year	<u>110</u>	<u>180</u>

For the year ended 31st March, 2004

9. TAXATION (Continued)

The major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years are summarised below:

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st April, 2002	83	(83)	–
(Credit) charge to income statement for the year	(28)	28	–
Change in tax rate	8	(8)	–
	<hr/>	<hr/>	<hr/>
Balance at 31st March, 2003	63	(63)	–
Charge (credit) to income statement for the year	25	(25)	–
	<hr/>	<hr/>	<hr/>
Balance at 31st March, 2004	<u>88</u>	<u>(88)</u>	<u>–</u>

At 31st March, 2004, the Group has unused tax losses of approximately HK\$124,352,000 (2003: HK\$128,533,000) available for offset against future profits. A deferred tax asset has been recognised in respect of tax losses approximately HK\$501,000 (2003: HK\$358,000). No deferred tax asset has been recognised in respect of the remaining tax losses amounted to approximately HK\$123,851,000 (2003: HK\$128,175,000) due to the unpredictability of future profit streams.

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$46,836,000 (2003: HK\$46,720,000) and on 4,402,381,660 (2003: the weighted average of 4,380,075,655) ordinary shares in issue during the year.

The computation of diluted loss per share does not assume the exercise of the share options and warrants as their exercise would result in a decrease in loss per share for both years.

For the year ended 31st March, 2004

11. INVESTMENT PROPERTY

	THE GROUP
	<i>HK\$'000</i>
VALUATION	
At 1st April, 2003	930
Surplus arising on revaluation	90
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At 31st March, 2004	<u>1,020</u>

This investment property was held under medium term lease and situated in Hong Kong.

The Group's investment property was revalued at 31st March, 2004 by Chesterton Petty Limited, an independent firm of professional property valuers, on an open market value basis. The surplus arising on the revaluation of HK\$90,000 has been credited to the consolidated income statement.

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12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST					
At 1st April, 2003	349	796	1,080	2,733	4,958
Exchange realignment	–	25	2	(1)	26
Additions	70	66	17	–	153
Disposals	(275)	(99)	(50)	(120)	(544)
At 31st March, 2004	144	788	1,049	2,612	4,593
DEPRECIATION					
At 1st April, 2003	349	696	533	568	2,146
Exchange realignment	–	25	3	2	30
Provided for the year	35	31	99	257	422
Eliminated on disposals	(275)	(93)	(14)	(120)	(502)
At 31st March, 2004	109	659	621	707	2,096
NET BOOK VALUES					
At 31st March, 2004	35	129	428	1,905	2,497
At 31st March, 2003	–	100	547	2,165	2,812

For the year ended 31st March, 2004

13. INTERESTS IN SUBSIDIARIES

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unlisted shares, at cost	97,059	55,059
Less: Impairment loss recognised	<u>(62,309)</u>	<u>(51,059)</u>
	<u>34,750</u>	<u>4,000</u>
Amounts due from subsidiaries	232,376	257,192
Less: Allowances	<u>(203,727)</u>	<u>(178,011)</u>
	<u>28,649</u>	<u>79,181</u>
	<u>63,399</u>	<u>83,181</u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The amounts due from subsidiaries will not be repayable in the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.

For the year ended 31st March, 2004

13. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries at 31st March, 2004 are as follows:

Name of subsidiary	Place of incorporation and operation	Nominal value of issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Jet Dispatch Limited	United States of America	US\$3,000	–	100	Freight forwarding agent
Jet Air (Singapore) Private Limited	Singapore	S\$500,000	–	93	Air freight forwarding and brokers for airline and shipping companies
Square Profits Group Inc.	British Virgin Islands ("BVI")/ Hong Kong	US\$1	100	–	Investment holding
Dragon Air Investments Limited	Niue/ Hong Kong	US\$50,000	–	100	Investment holding
Heatwave Industries Limited	BVI/ Hong Kong	US\$1	–	100	Securities investment
北京益來教育投資顧問有限公司 ("北京益來")	The PRC	RMB4,238,600	100	–	Inactive

Except for 北京益來 which is a wholly owned foreign enterprise in the PRC, all other subsidiaries are limited companies incorporated in the respective jurisdictions.

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

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.

For the year ended 31st March, 2004

14. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	48,252	49,957
Negative goodwill		
– Retained on dilution of interest in a subsidiary	(1,810)	(1,939)
	<u>46,442</u>	<u>48,018</u>

The negative goodwill is amortised to income on a straight line basis over 15 years.

Particulars of the associate at 31st March, 2004 are as follows:

Name of associate	Place of registration and operation	Proportion of nominal value of registered capital held indirectly by the Company %	Principal activity
南京新益華集團有限公司 Nanjing E-Life Gene Technology Company ("E-Life Gene")	The PRC	49.37	Development of biotechnological genetic products

During the year, the Group entered into agreement with another shareholder of E-Life Gene whereby both the Group and the shareholder agreed to increase their investments in E-Life Gene at considerations satisfied by injection of assets.

A contractual rights to acquire the technology of the recombinant human Stem Cell Factor ("rhSCF") for developing human cord blood related pharmaceutical products was acquired by the Group through an acquisition of a wholly owned subsidiary during the year and was injected into E-Life Gene as additional contribution.

Following the injection of assets into E-Life Gene by both parties, the Group's interest in E-Life Gene was increased from 47.11% to 49.37%.

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14. INTEREST IN AN ASSOCIATE (Continued)

The following details have been extracted from the unaudited management accounts, of which prepared in accordance with accounting principles generally accepted in Hong Kong, of E-Life Gene:

Results for the year

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	<u>—</u>	<u>11</u>
Loss before taxation	<u>(88,766)</u>	<u>(11,340)</u>
Loss before taxation attributable to the Group	<u>(43,576)</u>	<u>(5,067)</u>

Financial position

Non-current assets	66,283	787
Current assets	32,213	106,035
Current liabilities	<u>(761)</u>	<u>(779)</u>
Net assets	<u>97,735</u>	<u>106,043</u>
Net assets attributable to the Group	<u>48,252</u>	<u>49,957</u>

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15. INVESTMENTS IN SECURITIES

	THE GROUP					
	Investment securities		Other investments		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Equity securities:						
Listed –						
Hong Kong	–	–	–	14,189	–	14,189
Unlisted	16,800	16,800	–	–	16,800	16,800
	16,800	16,800	–	14,189	16,800	30,989
Club debentures	–	–	514	514	514	514
Classified under:						
Current	–	–	–	14,189	–	14,189
Non-current	16,800	16,800	514	514	17,314	17,314
	16,800	16,800	514	14,703	17,314	31,503
Market value of listed securities	–	–	–	14,189	–	14,189

The carrying value of listed securities in Hong Kong at 31st March, 2003 represented approximately 1.5% interests in Beijing Beida Jade Bird Universal Sci-Technology Company Limited (“BBJB”), a joint stock company with limited liability incorporated in the PRC with its H shares listed on the Growth Enterprise Market of the Stock Exchange (the “GEM Board”). The Group disposed of these shares in BBJB at a gain of approximately HK\$4,573,000 during the year ended 31st March, 2004.

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15. INVESTMENTS IN SECURITIES (Continued)

During the year ended 31st March, 2002, the Group, through an acquisition of a wholly owned subsidiary, acquired 30,000,000 promoters' shares in BBJB ("Promoters' Shares") of RMB0.01 each at a consideration of HK\$38,250,000, which is equivalent to 3.11% of total issued share capital (including H shares and Promoters' Shares) of BBJB. Promoters' Shares were unlisted share capital issued by BBJB when it was initially listed on GEM Board in 2000. According to the Company Law in the PRC, Promoters' Shares could not be transferable within three years from the date of incorporation of BBJB on 29th March, 2000. Upon expiry of the three years lock up period on 28th March, 2003, those Promoters' Shares could be applied for listing on the GEM Board. The Group has been informed by BBJB that BBJB is applying for listing of Promoters' Shares on the GEM Board and the application is still under progress. In the opinion of the directors, this investment will be able to enhance the strategic relationship between the Group and BBJB. The Group identified its investment in the Promoters' Shares as for long-term strategic purpose and thus the amount is treated as investment securities.

At 31st March, 2004, the directors of the Company reviewed the carrying amount of the Promoters' Shares by reference to the market value of BBJB's listed shares on the GEM Board and no material impairment loss was identified and charged to the consolidated income statement (2003: HK\$21,450,000 was charged to the consolidated income statement).

16. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows its trade customers with credit period normally ranging from 30 days to 60 days. Included in debtors, deposits and prepayments are trade debtors with the following aged analysis:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0-30 days	643	724
31-60 days	298	406
61-90 days	341	179
Over 90 days	361	64
	<hr/>	<hr/>
	1,643	1,373
Add: Deposits and prepayments	1,201	1,303
	<hr/>	<hr/>
	2,844	2,676

For the year ended 31st March, 2004

17. SHORT TERM RECEIVABLES

THE GROUP AND THE COMPANY

At 31st March, 2004, the amount is unsecured, carries interest at prime rate plus 4% per annum and has been settled subsequent to the balance sheet date.

At 31st March, 2003, the amounts were unsecured, carried interest at prime rate plus 1% per annum and were fully settled during the year ended 31st March, 2004.

18. CREDITORS, ACCRUED CHARGES AND OTHER PAYABLES

Included in creditors, accrued charges and other payables are trade creditors with the following aged analysis:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0-30 days	598	595
31-60 days	54	83
61-90 days	104	18
Over 90 days	1,816	1,820
	<hr/>	<hr/>
	2,572	2,516
Add: Accrued charges and other payables	8,317	4,203
	<hr/>	<hr/>
	10,889	6,719
	<hr/> <hr/>	<hr/> <hr/>

At 31st March, 2003, included in accrued charges and other payables was an amount of HK\$1,185,000 which represented the margin loan facilities utilised by the Group. The amount was unsecured, bore interest at prime rate plus 3% and was fully repaid during the year ended 31st March, 2004.

For the year ended 31st March, 2004

19. SHARE CAPITAL

	<i>Notes</i>	Number of shares <i>'000</i>	Value <i>HK\$'000</i>
<i>Authorised:</i>			
Ordinary shares of HK\$0.05 each at 1st April, 2002, 31st March, 2003 and 31st March, 2004		<u>12,000,000</u>	<u>600,000</u>
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.05 each at 1st April, 2002		4,032,375	201,619
Issue of shares	(a)	370,000	18,500
Exercise of warrants	(b)	<u>6</u>	<u>–</u>
Ordinary shares of HK\$0.05 each at 31st March, 2003 and 31st March, 2004		<u>4,402,381</u>	<u>220,119</u>

The movement of the Company's share capital for the year ended 31st March, 2003:

- (a) Pursuant to a resolution passed at the special general meeting held on 23rd April, 2002, 370,000,000 shares at HK\$0.05 each were issued and allotted to an institutional investor for cash at HK\$0.05 per share. The proceeds were used for general working capital of the Group. The shares issued rank pari passu with the then existing shares in issue in all respects.
- (b) 6,000 shares of HK\$0.05 each were issued and allotted at HK\$0.14 per share as a result of the exercise of 6,000 warrants. The shares issued rank pari passu with the then existing shares in issue in all respects.

There was no movement in the Company's share capital for the year ended 31st March, 2004.

For the year ended 31st March, 2004

20. WARRANTS

During the year ended 31st March, 2003, 6,000 shares of HK\$0.05 each were issued and allotted as a result of the exercise of 6,000 warrants at the subscription price of HK\$0.14 per share. The outstanding warrants of approximately 88,787,000, which would result in the issue of 88,787,000 additional ordinary shares, had expired on 9th January, 2003. The Company had not offered further warrants during the year ended 31st March, 2004.

21. SHARE OPTION SCHEMES

(a) The 1996 Scheme

Pursuant to the share option scheme adopted on 5th March, 1996 (the "1996 Scheme") and effective for a period of ten years after the date of adoption of the scheme, the Company granted options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company for the primary purpose of providing incentives to directors and eligible employees. Options granted must be taken up within 28 days from the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company by way of consideration for the grant. The subscription price, subject to adjustment, shall not be less than 80% of the average of the closing prices of the shares of the Company on the five trading days immediately before the options were offered. Options granted are exercisable for a period of four and a half years commencing on the expiry of six months after the date on which the options are granted. The total number of shares in respect of which options may be granted and had already been granted under the 1996 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The total number of shares in respect of which options may be granted and had already been granted to any individual is not permitted to exceed 25% of the maximum aggregate number of shares in the capital of the Company in respect of which options may at that time be granted under the 1996 Scheme.

Pursuant to the special resolution passed by shareholders of the Company on 18th March, 2002, the Company adopted a new share option scheme (the "2002 Scheme") and terminated the 1996 Scheme. Upon termination of the 1996 Scheme, no further options will be granted thereafter, but in all other respects, the provisions of the 1996 Scheme shall remain in force and all outstanding options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

For the year ended 31st March, 2004

21. SHARE OPTION SCHEMES (Continued)

(a) The 1996 Scheme (Continued)

At 31st March, 2004, the number of shares in respect of which options had been remained outstanding under the 1996 Scheme was 6,648,000 (2003: 6,648,000), representing 0.15% (2003: 0.15%) of the shares of the Company in issue at that date.

The following table discloses movements in the Company's share options granted under the 1996 Scheme during the year ended 31st March, 2004:

	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				At 31.3.2004
				At 1.4.2003	Granted during the year	Exercised during the year	Surrendered/ lapsed during the year	
Directors	17.11.2000	17.5.2001 to 17.11.2005	0.144	2,000,000	-	-	-	2,000,000
Other employees	7.3.2000	7.9.2000 to 7.3.2005	0.250	700,000	-	-	-	700,000
	11.4.2000	11.10.2000 to 11.4.2005	0.295	3,498,000	-	-	-	3,498,000
	17.11.2000	17.5.2001 to 17.11.2005	0.144	450,000	-	-	-	450,000
Sub-total				4,648,000	-	-	-	4,648,000
Total				6,648,000	-	-	-	6,648,000

For the year ended 31st March, 2004

21. SHARE OPTION SCHEMES (Continued)

(a) The 1996 Scheme (Continued)

A summary of movements of share options under the 1996 Scheme during the year ended 31st March, 2003 is as follows:

	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
				At 1.4.2002	Granted during the year	Exercised during the year	Surrendered/ lapsed during the year	At 31.3.2003
Directors (Note)	17.11.2000	17.5.2001 to 17.11.2005	0.144	3,000,000	-	-	(1,000,000)	2,000,000
Other employees	7.3.2000	7.9.2000 to 7.3.2005	0.250	1,500,000	-	-	(800,000)	700,000
	11.4.2000	11.10.2000 to 11.4.2005	0.295	3,898,000	-	-	(400,000)	3,498,000
	17.11.2000	17.5.2001 to 17.11.2005	0.144	2,800,000	-	-	(2,350,000)	450,000
Sub-total				8,198,000	-	-	(3,550,000)	4,648,000
Total				11,198,000	-	-	(4,550,000)	6,648,000

Note: The share options disclosed above included 1,000,000 share options which were held by a former director, Ms. Sun Ching Wai at 1st April, 2002 and those share options were surrendered during the year ended 31st March, 2003.

For the year ended 31st March, 2004

21. SHARE OPTION SCHEMES *(Continued)*

(b) The 2002 Scheme

On 18th March, 2002, the Company adopted the 2002 Scheme under which the board of directors may at its discretion offer to any director (including non-executive director), employee, suppliers, customers, any person or entity that provides research, development or other technological support to the Group, shareholders of any member of the Group or any entity in which the Group holds an equity interests and any other group or classes of persons or entities who have contributed to the development and growth of the Group ("Participant") of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the 2002 Scheme. The principal purpose of the 2002 Scheme is to provide incentive or rewards for the participant's contributions to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital as at 18th March, 2002, i.e. 403,237,500 shares unless a fresh approval from the shareholders of the Company has been obtained. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The subscription price of the option shares granted under the 2002 Scheme shall be a price to be determined by the directors of the Company being not less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; (iii) the nominal value of a share.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company (including the 1996 Scheme) shall not in aggregate exceed 30% of the shares in issue from time to time.

For the year ended 31st March, 2004

21. SHARE OPTION SCHEMES (Continued)

(b) The 2002 Scheme (Continued)

The total number of shares issued and may be issued upon exercise of the options granted to any individual under the 2002 Scheme and any other share option schemes of the Company must not exceed 1% of the shares in issue.

The 2002 Scheme will remain in force for a period of ten years commencing from the date of adoption of the 2002 Scheme, after which no further options will be granted but the options which are granted during the life of the 2002 Scheme may continue to be exercisable in accordance with their terms of issue and the provisions of the 2002 Scheme shall in all other respects remain in full force and effect in respect thereof.

Options granted under the 2002 Scheme must be taken up within 21 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company as consideration for the grant.

At 31st March, 2004, there is no share options granted to or exercised by the directors or employees and the number of shares in respect of which options had been remained outstanding under the 2002 Scheme was 432,700,000, representing 9.83% of the shares of the Company in issue at that date.

The following table disclose movements in the Company's share options granted under the 2002 Scheme during the year ended 31st March, 2004:

	Date of grant	Exercisable period	Exercise price	Number of share options			
				Outstanding at 1.4.2003	Granted during the year	Exercised during the year	Outstanding at 31.3.2004
			HK\$				
Directors	8.11.2002	8.11.2002 to 8.11.2005	0.119	373,900,000	-	-	373,900,000
	19.9.2002	19.9.2002 to 19.9.2005	0.119	9,000,000	-	-	9,000,000
	(Note a)						
Sub-total				382,900,000	-	-	382,900,000
Other employees	19.9.2002	19.9.2002 to 19.9.2005	0.119	49,800,000	-	-	49,800,000
				432,700,000	-	-	432,700,000

For the year ended 31st March, 2004

21. SHARE OPTION SCHEMES (Continued)

(b) The 2002 Scheme (Continued)

A summary of the movements of share options under the 2002 Scheme during the year ended 31st March, 2003 is as follows:

	Date of grant	Exercisable period	Exercise price HK\$	Number of share options			
				Outstanding at 1.4.2002	Granted during the year	Exercised during the year	Outstanding at 31.3.2003
Directors	8.11.2002	8.11.2002 to 8.11.2005	0.119	-	373,900,000	-	373,900,000
	19.9.2002	19.9.2002 to 19.9.2005	0.119	-	9,000,000	-	9,000,000
	(Notes a & b)						
Other employees	19.9.2002	19.9.2002 to 19.9.2005	0.119	-	382,900,000	-	382,900,000
				-	49,800,000	-	49,800,000
				-	432,700,000	-	432,700,000

Notes:

- (a) These share options, which were proposed to grant on 19th September, 2002, were approved by the shareholders of the Company at the special general meeting of the Company held on 8th November, 2002.
- (b) Included in share options granted to directors during the year, a total of 12,000,000 share options, which were granted at 8th November, 2002, were held by Mr. Wang Jian Hua's wife, Ms. Ma Jun Li, and Mr. Wang Jian Hua, a director of the Company, is therefore deemed to have an interest in these options.

There was no consideration received from employees for taking up the options granted and no charge is recognised in the income statement in respect of the value of options granted for the year ended 31st March, 2003.

For the year ended 31st March, 2004

22. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1st April, 2002	51,358	48,311	(138,865)	(39,196)
Net loss for the year	–	–	(54,725)	(54,725)
At 31st March, 2003	51,358	48,311	(193,590)	(93,921)
Net loss for the year	–	–	(40,456)	(40,456)
At 31st March, 2004	51,358	48,311	(234,046)	(134,377)

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation prior to the listing of the Company's shares on the Main Board of the Stock Exchange in 1996 over the nominal value of the Company's shares issued in exchange thereof.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

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

At 31st March, 2004 and 2003, the Company had no reserves available for distribution to shareholders.

For the year ended 31st March, 2004

23. PURCHASE OF A SUBSIDIARY

During the year, the Group acquired the entire issued share capital together with a non-interest bearing shareholder's loan of Honest Talents Limited ("Honest Talents") at a cash consideration of HK\$42,000,000. The sole asset held by Honest Talents is the contractual right to acquire the technology of rhSCF. The acquisition has been accounted for by the purchase method of accounting.

	2004 HK\$'000	2003 HK\$'000
Net assets acquired:		
Property, plant and equipment	–	6,754
Other asset	47,500	–
Debtors, deposits and prepayments	–	4,129
Investments in securities	–	13,945
Inventories	–	59
Bank balances and cash	–	23,344
Creditors, accrued charges and other payables	–	(838)
Deferred tax liability	(5,500)	–
Minority interests	–	(5,213)
	42,000	42,180
Less: Interest acquired in prior years recognised as interest in an associate, net of negative goodwill of HK\$2,367,000	–	(26,540)
	42,000	15,640
Negative goodwill arising from acquisition	–	(1,300)
	42,000	14,340
Satisfied by:		
Cash	40,500	14,340
Other payable	1,500	–
	42,000	14,340

For the year ended 31st March, 2004

23. PURCHASE OF A SUBSIDIARY

Analysis of the net (outflow) inflow of cash and cash equivalents in connection with the purchase of a subsidiary:

	2004 HK\$'000	2003 HK\$'000
Cash consideration paid	(40,500)	(14,340)
Bank balances and cash acquired	-	23,344
Net (outflow) inflow of cash and cash equivalents	<u>(40,500)</u>	<u>9,004</u>

The subsidiary acquired during both years did not have significant contribution to the Group's turnover and loss from operation.

24. DILUTION OF INTEREST IN A SUBSIDIARY

	2004 HK\$'000	2003 HK\$'000
Net assets disposed of:		
Property, plant and equipment	-	6,595
Negative goodwill	-	(3,667)
Debtors, deposits and prepayments	-	9,560
Investments in securities	-	12,640
Inventories	-	59
Bank balances and cash	-	18,520
Creditors, accrued charges and other payables	-	(780)
Minority interests	-	(5,125)
	<u>-</u>	<u>37,802</u>
Less: Interest acquired in prior year recognised as interest in an associate, net of negative goodwill of HK\$1,939,000	-	(51,611)
	<u>-</u>	<u>(13,809)</u>
Gain on dilution of interest in a subsidiary	-	13,809
	<u>-</u>	<u>-</u>
Analysis of the net outflow of cash and cash equivalents in connection with the dilution of interest in a subsidiary:		
Cash consideration received	-	-
Bank balances and cash disposed of	-	(18,520)
Net outflow of cash and cash equivalents	<u>-</u>	<u>(18,520)</u>

The subsidiary disposed of during the year ended 31st March, 2003 did not have significant contribution to the Group's turnover and loss from operations in that year.

For the year ended 31st March, 2004

25. CAPITAL COMMITMENTS

As at 31st March, 2004, the Company had no significant capital commitment (2003: HK\$6,000,000) in respect of the capital contribution to a subsidiary.

The Group had no significant capital commitments at 31st March, 2004 and 2003.

26. OPERATING LEASE ARRANGEMENTS

The Group has made approximately HK\$1,522,000 (2003: HK\$1,997,000) minimum lease payments under operating leases during the year in respect of office premises.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises which fall due as follows:

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2004 HK\$'000
Within one year	1,097	1,445	86	–
In the second to fifth years inclusive	607	594	–	–
	1,704	2,039	86	–

Leases are negotiated for a range of one to two years and rentals are fixed for a range of one to two years.

27. PLEDGE OF ASSETS

At the balance sheet date, the Group's bank deposits of HK\$200,000 (2003: HK\$200,000) were pledged to banks to secure general banking facilities granted to the Group.

For the year ended 31st March, 2004

28. RELATED PARTY TRANSACTIONS

The Group's margin loan facilities as at 31st March, 2003 of approximately HK\$1,185,000 were secured by a personal guarantee given by Mr. Wang Jian Hua, director of the Company. The margin loan was fully repaid during the year ended 31st March, 2004 and no margin loan was utilised by the Group as at 31st March, 2004.

Save as disclosed above, there were no other significant transactions with related parties during the two years ended 31st March, 2004 or significant balances with them at 31st March, 2003 and 2004.

29. RETIREMENT BENEFIT SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and the MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employees.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The Group had no forfeited contribution in this manner for the year ended 31st March, 2004 (2003: HK\$61,000). At the balance sheet date, there were no significant forfeited contributions, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable in future years.

The total cost charged to income statement of HK\$218,000 (2003: HK\$215,000) represents contributions payable to these schemes by the Group in respect of the current year.

30. POST BALANCE SHEET EVENT

On 12th July, 2004, the Company entered into a non legally binding memorandum of understanding with a third party in relation to the acquisition of not less than 51% equity interests in Gu Jiao Yi Yi Mei Jiao Company Limited, for cash consideration of approximately RMB160 million, a company incorporated in the PRC and is mainly engaged in the business of processing and sale of coke and its by-products in the PRC.