



**MP Logistics International Holdings Limited**

**MP 物 流 國 際 控 股 有 限 公 司\***

*(incorporated in the Cayman Islands with limited liability)*



**ANNUAL REPORT 2003-2004**



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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## 2 Corporate Information

### Executive Directors

Wong Kwong Kwok (*Chairman*)

Yeung Leung Kong

### Non-Executive Directors

Deng Hui

Xiao Fei Yan

Wong Li Yun

### Independent Non-executive Directors

Wong Ah Chik

Leung Wai Ling, Wylie

Liu Feng

### Registered Office

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681GT

George Town

Grand Cayman

Cayman Islands

British West Indies

### Head Office and Principal Place of Business

16th Floor, G.D. Real Estate Tower

143 Connaught Road Central

Hong Kong

### Company Homepage/Website

<http://www.marinepower.org>

### Compliance Officer

Yeung Leung Kong

### Authorised Representatives

Yeung Leung Kong

Wong Kwong Kwok

### Qualified Accountant

Leung King Fai, *C.P.A., A.H.K.S.A*

### Company Secretary

Leung King Fai, *C.P.A., A.H.K.S.A*

### Audit Committee

Wong Ah Chik

Leung Wai Ling

Liu Feng

### Principal Banker

DBS Kwong On Bank Limited

### Auditors

Baker Tilly Hong Kong Limited

*Certified Public Accountants*

### Legal Advisers

*as to Hong Kong law*

Vincent T.K. Cheung, Yap & Co.

*as to Cayman Islands law*

Conyers Dill & Pearman, Cayman

*as to PRC law*

GFE Law Office

(also known as Guangzhou Foreign

Economic Law Office)

**Principal Share Registrar and Transfer Office**

Bank of Bermuda (Cayman) Limited

36C, Bermuda House

3rd Floor

Dr. Roy's Drive

George Town

Grand Cayman

Cayman Islands

British West Indies

**Hong Kong Branch Share Registrar and Transfer Office**

Tengis Limited

Ground Floor

BEA Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

## 4 Chairman's Statement

On behalf of the Board, I am pleased to present the Annual Report of MP Logistics International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2004 to our shareholders.

### ■ MARKET OVERVIEW

The year ended 31 March 2004 has indeed been a very challenging year for all companies in Hong Kong as a consequence of the outbreak of the Severe Acute Respiratory Syndrome. Despite this, the Group performed well in its marketing activities and achieved satisfactory financial performances with turnover increased by approximately 64.5%, compared to previous corresponding year, to approximately HK\$53.7 million.

In November 2003, Marine Power Company Limited, the principal subsidiary of the Group, successfully obtained the ISO 9001:2000 certificate in its provision of forwarding (air, sea and land) and logistics services, as a mark of its standard of quality in its provision of services.

### ■ FINANCIAL REVIEW

For the year ended 31 March 2004, the Group recorded a turnover of approximately HK\$53.7 million, an increase of approximately 64.5%, compared to the previous corresponding year. The increase in turnover was attributed to the increase in services provided to new and existing customers. During the year, income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services accounted for approximately 51%, 35%, 3% and 11% respectively of the Group's total turnover (2003: 35%, 47%, 10% and 8% respectively).

During the year, the Group's net profit from ordinary activities attributable to shareholders amounted to approximately HK\$201,000, representing a decrease approximately 90.9% as compared to previous corresponding year. The gross profit margin decreased from approximately 31.9% for the previous corresponding year to 21.3% for the year ended 31 March 2004. The decrease was mainly attributed to decrease in margins as a result of increased competition. Administrative expenses of the Group amounted to approximately HK\$8.1 million, an increase of approximately 35.8% compared to the previous corresponding year. The increase was mainly due to the increase in overheads following the listing of the Company's shares on GEM and increased sales activities. Selling and distribution costs increased in line with the increase in turnover by approximately 55.6%, to approximately HK\$2.7 million.

The effective tax rate was approximately 47% during the year as compared to approximately 16% in the previous corresponding year. The increase in the tax rate was mainly attributed to the increase in the provision for deferred taxation following the adoption of a new accounting standard during the year.

## ■ PROSPECTS AND APPRECIATION

This is the first full financial year of the Company after having successfully listed its shares on GEM in November 2002. The Group is satisfied with the increase in the turnover as a result of the valuable efforts of the sale and marketing team.

With the introduction of the PRC/Hong Kong Closer Economic Partnership Arrangement ("CEPA"), which offered added impetus to Hong Kong's logistics development through new and unprecedented opportunities for logistics companies in Hong Kong, and with the promotion of Hong Kong as the principal center in the Pearl River Delta region and as a leading global logistics center by the Hong Kong Government, the Group is confident of the prospects of the logistics industry and the Group as a whole. CEPA also allows us to have access to the PRC in various service sectors, including logistics, transport, freight forwarding and storage and warehousing services.

The Group will continue to implement various plans to expand its operating network, its operating facilities, its images and services and to acquire potential interest in a foreign invested enterprise in the PRC, which is licensed to carry on business in international freight agency sector. This will place us in a stronger position under the policies of the Hong Kong Government and the CEPA arrangements.

Lastly, on behalf of the Board, I would like to take this opportunity to express our gratitude to all employees, shareholders, partners and customers for their continued support and dedication.

**Wong Kwong Kwok**

*Chairman*

Hong Kong

24 June 2004

## 6 Management Discussion and Analysis

### ■ Operational Review

#### General

The Group is principally engaged in coordinating various logistics services for its customers. The logistics services provided by the Group include sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services such as customs clearance and declaration, arranging insurance policies for customers, repackaging and storage services. The services provided for each assignment may consist of a combination of the above services. It is the objective of the Group to become one of the pivotal players in the logistics services markets in the Greater China Region.

The year ended 31 March 2004 has indeed been a very challenging year for all companies in Hong Kong as a consequence of the outbreak of the Severe Acute Respiratory Syndrome. Despite this, the Group performed well in its marketing activities and achieved satisfactory financial performances with turnover increased by approximately 64.5%, compared to previous corresponding year, to approximately HK\$53.7 million.

In November 2003, Marine Power Company Limited, the principal subsidiary of the Group, successfully obtained the ISO 9001:2000 certificate in its provision of forwarding (air, sea and land) and logistics services as a mark of its standard of quality in its provision of services.

### ■ Financial Review

#### Results

For the year ended 31 March 2004, the Group recorded a turnover of approximately HK\$53.7 million, an increase of approximately 64.5%, compared to the previous corresponding year. The increase in turnover was attributed to the increase in services provided to new and existing customers. During the year, income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services accounted for approximately 51%, 35%, 3% and 11% respectively of the Group's total turnover (2003: 35%, 47%, 10% and 8% respectively).

During the year, the Group's net profit from ordinary activities attributable to shareholders amounted to approximately HK\$201,000, representing a decrease approximately 90.9% as compared to previous corresponding year. The gross profit margin decreased from approximately 31.9% for the previous corresponding year to 21.3% for the year ended 31 March 2004. The decrease was mainly attributed to decrease in margins as a result of increased competition. Administrative expenses of the Group amounted to approximately HK\$8.1 million, an increase of approximately 35.8% compared to the previous corresponding year. The increase was mainly due to the increase in overheads following the listing of the Company's shares on GEM and increased sales activities. Selling and distribution costs increased in line with the increase in turnover by approximately 55.6%, to approximately HK\$2.7 million.



The effective tax rate was approximately 47% during the year as compared to approximately 16% in the previous corresponding year. The increase in the tax rate was mainly attributed to the increase in the provision for deferred taxation following the adoption of a new accounting standard during the year.

## **Liquidity, financial resources and capital structure**

For the year ended 31 March 2004, the Group financed its operations primarily with internally generated cash flows and the net proceeds from the issue of shares by way of placing on 15 November 2002. The Group has been adhering to a prudent financial management policy.

As at 31 March 2004, cash and cash equivalent of the Group amounted to approximately HK\$11.6 million (2003: HK\$13.0 million).

As at 31 March 2004, the Group was granted general banking facilities of HK\$11 million (2003: HK\$11 million) with a condition such that deposits with the bank shall be maintained of not less than HK\$10 million (2003: HK\$10 million). The debt ratio (defined as total liabilities over total assets) of the Group as at 31 March 2004 was approximately 0.27 (2003: 0.15). Bank overdrafts of the Group amounted to approximately HK\$7 million (2003: Nil) as at 31 March 2004.

The functional currencies of the Group's operations are HK Dollars and Renminbi, the Board considers that the exposure to foreign exchange risk is limited. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

The shares of the Company were listed on GEM on 15 November 2002. There has been no change in the capital structure of the Company since that date.

## **Significant investment**

As at 31 March 2004, there was no significant investment held by the Group (2003: Nil).

## **Material acquisitions or disposals of subsidiaries and affiliated companies**

There were no material acquisitions or disposals of subsidiaries and affiliated companies during the year.

## **Segment information**

Segment information is presented in respect of the Group's geographical segments. In determining the Group's geographical segments, revenues and results are attributed to the segment based on the location

## 8 Management Discussion and Analysis

where the services are rendered, and assets are attributed to the segment based on the location of the assets. As all the Group's services are rendered in Hong Kong, no further geographical analysis of revenue or results is presented.

No information in respect of the Group's business segments are presented as the Group is solely engaged in the provision of logistics services.

Details of the segment information are presented in note 5 to the financial statements.

### **Employee information**

As at 31 March 2004, the Group employed a total of 25 (2003: 21) employees including directors. The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme where options to subscribe for shares of the Company may be granted to the executive Directors and full-time employees of the Group. As at 31 March 2004, no share options have been granted to employees.

Staff costs, excluding directors' remuneration, increased by approximately 74.8% to approximately HK\$2.4 million (2003: HK\$1.4 million). The increase is attributed to the increase in the number of staff due to the expansion of business. The Group believes that the recruitment decision was necessary for building up a strong team of staff for long term growth and profitability.

### **Future plans for material investments or capital assets and expected source of funding**

Details for the Group's future plans for material investments or capital assets and their expected source of funding have been stated in the Company's Prospectus dated 31 October 2002 (the "Prospectus") under the sections headed "Statement of Business Objectives" and "Reasons for the Share Offer and the Use of Proceeds" respectively. Other than those disclosed therein and under the sections headed "Comparison of Business Objectives with Actual Business Progress" and "Use of Proceeds" in this annual report, the Group did not have any plans for material investments or capital assets.

### **Contingent liabilities**

As at 31 March 2004, the Company provided guarantee to a subsidiary company for its utilized banking facilities amounting to approximately HK\$7 million (2003: Nil).

The Group and the Company had no other material contingent liabilities (2003: Nil) as at 31 March 2004.

The following is a summary of the actual progress of the Group compared with the business objectives set out in the Prospectus for the period from 1 October 2003 to 31 March 2004 (the "Review Period").

## **Business Objectives as Stated in the Prospectus**

## **Actual Business Progress**

### **Sales and marketing**

Promote the Group's services through advertisements and direct marketing

The Group continued to promote its services through advertisements in shipping gazettes and through holding meetings and seminars with existing and potential customers and by distributing brochures introducing the services of the Group to existing or potential customers.

Negotiate and form alliances with agents for marketing the Group's services

In November 2003, the Group formed alliance with an agent based in the United Kingdom for marketing the Group's services and to provide services to each other. The Group continued to identify and negotiate with potential agents for marketing the Group's services.

### **Geographical expansion**

Form joint marketing arrangements with agents to promote the Group's services in US, countries in Europe and countries in Asia

In November 2003, the Group formed alliance with an agent based in the United Kingdom for marketing the Group's services and to provide services to each other. The Group continued to identify and negotiate joint marketing arrangements with potential agents.

Set up marketing offices in Taiwan

Due to costs reason, the Group used its marketing agent in Taiwan to perform the services similar to that of the marketing office. Plan to set up marketing office in Taiwan is suspended and the Group will review the situation when appropriate.

Set up marketing offices in Singapore

The Group is assessing the feasibility of setting up a marketing office in Singapore. As at today, no marketing office in Singapore was set up.

## 10 Comparison of Business Objectives with Actual Business Progress

### **Expansion of operational facilities**

Acquisition of its own fleet of trucks

The Group is in the lookout for the acquisition of trucks for expanding its operational facilities, but during the Review Period, the Group had not purchased any trucks.

Acquisition of its own warehouse

The Group has identified various warehouses for consideration and is in the process of selecting, negotiating and performing due diligence for its acquisition. No acquisition took place during the Review Period.

### **Human resources deployment**

Expand the operational team by recruiting additional staff

As at 31 March 2004, there were 7 staff at the operation department (30 September 2003: 11). 5 staff left and 1 staff joined the Group during the Review Period.

Expand the sales team in Hong Kong and the PRC by recruiting additional staff members

As at 31 March 2004, there were 6 staff at the sales and marketing department (30 September 2003: 6). No staff left or joined the Group during the Review Period.

### **Logistics services: PRC**

To invest in a new or existing entity in the PRC to provide logistics services

The Group has commenced its due diligence work on the intended investment in a foreign invested enterprise in the PRC. Pending the results of the due diligence, which is expected to complete by the end of the calendar year 2004, no binding agreement would be entered into by the Group.

## ■ Use of Proceeds

The Company obtained net proceeds, after deducting related expenses, of approximately HK\$12 million from the placing of shares. During the periods from 1 October 2003 to 31 March 2004 and from 29 October 2002 (Latest Practicable Date) to 31 March 2004, the Group has applied the net proceeds as follows:

	1 October 2003 to 31 March 2004		29 October 2002 to 31 March 2004	
	Proposed HK\$'000	Actual HK\$'000	Proposed HK\$'000	Actual HK\$'000
Expenditure in relation to geographical expansion	400	400	1,200	1,200
Expenditure in relation to operational facilities ( <i>Note 1</i> )	500	200	1,500	550
Expenditure in relation to marketing and promotional activities	400	400	1,200	1,200
Expenditure in relation to business development ( <i>Note 2</i> )	1,000	1,000	5,000	2,050
	2,300	2,000	8,900	5,000

### Notes:

1. The Group intends to utilise the proceeds in accordance with the purpose in subsequent periods. The Group is in the lookout for the acquisition of trucks and warehouses for expanding its operational facilities but has not acquired any trucks and warehouses as at 31 March 2004.
2. The Group intends to utilise the proceeds in accordance with the purpose in subsequent periods. The delay in the usage of the proceeds has been due to the longer time required to agree to the terms of the investment for an interest in a foreign invested enterprise in the PRC.

The remaining net proceeds as at 31 March 2004 was approximately HK\$7 million and was placed on short-term interest bearing deposits with a bank in Hong Kong.

## 12 Directors and Senior Management

### ■ Executive Directors

**Wong Kwong Kwok**, aged 42, is the chairman of the Group. Mr. Wong is responsible for the overall strategic planning and management of the Group and oversees the operational functions of the Group. Prior to joining the Group, he was the operational manager of a general trading company in Hong Kong. Mr. Wong was appointed as a director in June 2002.

**Yeung Leung Kong**, aged 43, is the managing Director and founder of the Group. Mr. Yeung is responsible for the operational and marketing functions of the Group. He holds a certificate in shipping practise and management from the Hong Kong Polytechnic. Prior to founding the Group, Mr. Yeung was the operational director of a shipping and logistics company in Hong Kong. Mr. Yeung was appointed as a director in June 2002.

### ■ Non-executive Directors

**Deng Hui**, aged 37, is the non-executive Director. He assists in the business development of the Group in the PRC. He graduated from Guangdong Business School in 1986. He is currently the manager of an import and export company in the PRC. He was appointed as a non-executive director in June 2002.

**Xiao Fei Yan**, aged 32 is the non-executive Director. She assists in the business development of the Group in the PRC. She graduated from Northeast University in 1992. She is currently the manager of a travel product manufacturing company in Shenzhen, PRC. She was appointed as a non-executive director in June 2002.

**Wang Li Yun**, aged 34, was appointed as a non-executive director in September 2003. She has been working as an administrative manager for an electrical manufacturing company in Shenzhen, the PRC since 1992. She assists in the business development of the Group through her business networks in the PRC.

### ■ Independent Non-executive Directors

**Wong Ah Chik**, aged 45, is a general manager of an electronics trading company in Hong Kong. He was appointed as an independent non-executive director in June 2002.

**Leung Wai Ling, Wylie**, aged 36, holds a bachelor degree in business administration from the City University of New York in the U.S. She is currently an accounting and administration manager for an international trading and manufacturing company in Hong Kong. She is also an independent non-executive Director of IA International Holdings Limited, a company listed on the GEM of the Stock Exchange. She was appointed as an independent non-executive director in June 2002.

**Liu Feng**, aged 27, was appointed as an independent non-executive director in January, 2004. He holds a bachelor degree in economic, major in international accounting, from Jiangxi University of Finance and Economics in July 2000. He has been working as a manager of the finance department in an electrical manufacturing company in Shenzhen since August 2000.

### ■ Senior Management

**Wong Chun Fat**, aged 52, is the operations manager of the Group. Mr. Wong is responsible for the operation functions of the Group. Prior to joining the Group in January 1999, he worked as a manager in a shipping company in Hong Kong.

**Lee Chee Kin**, aged 56, is the sales and marketing manager of the Group. Mr. Lee is responsible for the sales and marketing functions of the Group. Prior to joining the Group in October 1998, he worked as a manager in a transportation company in Hong Kong.

**Leung King Fai**, aged 32, is the accounting manager, company secretary and qualified accountant of the Group. Mr. Leung is responsible for the financial and accounting functions of the Group. He graduated from Deakin University, Victoria, Australia with a Bachelor of Commerce. He is an associate member of the Hong Kong Society of Accountants and a member of the Australia Society of Certified Practising Accountants. Prior to joining the Group in April 2002, he was an accountant at a firm of certified public accountants in Hong Kong.

## 14 Report of the Directors

The directors herein present their annual report and the audited financial statements of MP Logistics International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2004.

### ■ Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 16 to the financial statements. There have been no significant changes in the nature of the Group's principal activities during the year.

### ■ Segment information

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2004 is set out in note 5 to the financial statements.

### ■ Results and dividends

The Group's profit for the year ended 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 54.

The directors do not recommend any dividends during the year.

### ■ Summary financial information

The following is a summary of the published results of the Group for each of the four years ended 31 March 2004 and of the assets and liabilities of the Group as at 31 March 2004, 2003, 2002 and 2001 prepared on the basis set out in the note below.



**Results**

	<b>Year ended 31 March</b>			
	<b>2004</b>	2003	2002	2001
	<b>HK\$</b>	HK\$	HK\$	HK\$
Turnover	<b>53,719,738</b>	32,647,984	17,840,933	16,698,146
Profit before taxation	<b>376,784</b>	2,638,176	1,619,712	748,017
Taxation	<b>(175,564)</b>	(417,411)	(220,000)	–
Net profit from ordinary activities attributable to shareholders	<b>201,220</b>	2,220,765	1,399,712	748,017

**Assets and liabilities**

	<b>As at 31 March</b>			
	<b>2004</b>	2003	2002	2001
	<b>HK\$</b>	HK\$	HK\$	HK\$
Non-current assets	<b>2,087,550</b>	1,707,446	875,405	424,309
Current assets	<b>32,940,501</b>	28,039,662	6,415,045	4,744,869
Current liabilities	<b>9,200,791</b>	3,863,774	2,062,082	1,464,859
Net current assets	<b>23,739,710</b>	24,175,888	4,352,963	3,280,010
Non-current liabilities	<b>337,874</b>	595,168	62,637	3,750,000
	<b>25,489,386</b>	25,288,166	5,165,731	(45,681)

*Note:* The summary of the combined results of the Group for each of two years ended 31 March 2002 and of the assets and liabilities of the Group as at 31 March 2001 and 2002 have been extracted from the Prospectus. Such summary was prepared as if the current structure of the Group structure had been in existence throughout these financial years and is presented on the basis set out in note 1 to the financial statements. The consolidated results of the Group for the years ended 31 March 2003 and 2004 and the consolidated assets and liabilities of the Group as at 31 March 2003 and 31 March 2004 are set out on pages 25 and 26 respectively, of this report.

## 16 Report of the Directors

### ■ Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 15 to the financial statements.

### ■ Share capital

Details of movements in the Company's issued share capital are set out in note 22 to the financial statements.

### ■ Pre-emptive rights

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

### ■ Purchase, sale or redemption of the Company's listed shares

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

### ■ Use of proceeds from the Company's initial public offering

Details of the use of proceeds from the Company's initial public offering are set out on page 11 of the annual report.

### ■ Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in the statement of changes in equity on pages 27 and 28 of and in note 24 to the financial statements.

### ■ Distributable reserves

At 31 March 2004, the Company's reserve available for distribution, calculated in accordance with the laws of the Cayman Islands, amounted to HK\$21,215,547 (2003: HK\$21,409,780). This includes the Company's share premium account and capital reserve, of HK\$21,455,732 (2003: HK\$21,455,732) in aggregate at 31 March 2004, which may be distributed provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

## ■ Major customers and suppliers

During the year, sales to the Group's five largest customers accounted for approximately 73% of the total sales for the year and sales to the largest customer included therein accounted for approximately 26% of the total sales for the year.

Purchases from the Group's five largest suppliers accounted for approximately 56% of the total purchases for the year and purchases from the Group's largest supplier included therein accounted for approximately 20% of the total purchases for the year.

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

## ■ Directors

The directors of the Company during the year and up to the date of this report were:

### **Executive directors:**

Mr. Wong Kwong Kwok

Mr. Yeung Leung Kong

### **Non-executive directors:**

Mr. Deng Hui

Ms. Xiao Fei Yan

Ms. Wang Li Yun (appointed on 17 September 2003)

### **Independent non-executive directors:**

Mr. Wong Ah Chik

Ms. Leung Wai Ling, Wylie

Mr. Liu Feng (appointed on 5 January 2004)

In accordance with Article 87 of the Company's Articles of Association, Ms. Leung Wai Ling, Wylie will retire by rotation at the forthcoming annual general meeting and, being eligible, offer herself for re-election.

In accordance with Article 86(3) of the Company's Articles of Association, Ms. Wang Li Yun and Mr. Liu Feng will hold office only until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

## 18 Report of the Directors

### ■ Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 to 13 of the Company's annual report.

### ■ Directors' service contracts

Each of the two executive directors of the Company has entered into service contracts with a subsidiary of the Company for an initial term of two years commencing from 1 November 2002 and will continue thereafter until terminated by either party by giving not less than 3 months' notice in writing to the other party.

The non-executive directors (including the independent non-executive directors) have no fixed terms of office, but are subject to the provisions governing the retirement and rotation of directors in the articles of association of the Company.

Save as aforesaid, none of the director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### ■ Directors' interests in contracts

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

## ■ Directors' interests in shares

As at 31 March 2004, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Director	Number of Shares				Total Interests
	Corporate Interests	Personal Interests	Family Interests	Other Interests	
Mr. Wong Kwong Kwok <i>(Note)</i>	223,000,000	–	–	–	223,000,000

*Note:* These shares are registered in the name of Best Method Investments Limited. Best Method Investments Limited is beneficially owned by Profound Wise International Limited, Accent On Investments Limited and Absolute Prime Investments Limited in the proportion of 40%, 30%, and 30% respectively. Profound Wise International Limited is owned by Mr. Wong Kwong Kwok and Mr. Yeung Leung Kong, the executive directors of the Company, in the proportion of 70% and 30% respectively. Accent On Investments Limited is 100% owned by Mr. Wong Kwong Kwok. Absolute Prime Investments Limited is 100% owned by Mr. Chan Chi Yin.

Save as disclosed above, as at 31 March 2004, none of the directors nor the chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

### ■ Director's rights to acquire shares

Apart from as disclosed under the paragraph headed "Directors' interests in shares" above and the share option scheme disclosures in note 23 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### ■ Share option scheme

On 26 October 2002, a share option scheme (the "Scheme") was approved by written resolutions of the then sole shareholder of the Company. The purpose of the Scheme is to recognise the contribution of selected persons to the growth of the Group. Up to the date of this report, no options have been granted to any persons under the Scheme.

Details of the Scheme are set out in note 23 to the financial statements.

### ■ Substantial shareholders

As at 31 March 2004, other than a director of the Company as disclosed under the section headed "Directors' interests in shares" above, the interests and short positions of person, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Number of shares held	Approximate percentage of shareholding in the Company
Best Method Investments Limited (Note)	223,000,000	74.33%

Note: The details are disclosed under the section headed "Directors' interests in shares" above.

Save as disclosed above, as at 31 March 2004, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### ■ Sponsor's interests

As at 31 March 2004 and at the date of this report, neither Kingston Corporate Finance Limited (the "Sponsor"), nor any of its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or of any members of the Group, or had any right to subscribe for or to nominate persons to subscribe for the securities of the Company or of any members of the Group.

Pursuant to the sponsor agreement dated 31 October 2002 entered into between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's sponsor for the period from 15 November 2002 to 31 March 2005, or until the sponsor agreement is terminated upon the terms and conditions as set out therein.

### ■ Competition and conflict of interests

Up to the date of this report, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

### ■ Compliance with Rules 5.34 to 5.45 of the GEM Listing Rules

The Company has complied with the Board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the year.

### ■ Audit committee

The Company established an audit committee on 26 October 2002 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three members, Mr. Wong Ah Chik, Ms. Leung Wai Ling, Wylie and Mr. Liu Feng, all are independent non-executive directors of the Company. The audit committee held four meetings during the year. The Group's audited results for the year ended 31 March 2004 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

### ■ Auditors

Ernst & Young resigned and Baker Tilly Hong Kong Limited were appointed during the year. Baker Tilly Hong Kong Limited retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting. Ernst & Young acted as the Company's auditors for the year ended 31 March 2003.

ON BEHALF OF THE BOARD

**Wong Kwong Kwok**

*Chairman*

Hong Kong

24 June 2004



AUDITORS' REPORT TO THE MEMBERS OF  
**MP LOGISTICS INTERNATIONAL HOLDINGS LIMITED**  
(INCORPORATED IN CAYMAN ISLANDS) WITH LIMITED LIABILITY)

We have audited the financial statements on pages 25 to 54 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

■ **Respective responsibilities of directors and auditors**

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

■ **Basis of opinion**

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

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

## 24 Report of the Auditors

### ■ Opinion

In our opinion the financial statements give a true and fair view, in all material respects, of the state of the affairs of the Company and of the Group as at 31st March, 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### **BAKER TILLY HONG KONG LIMITED**

*Certified Public Accountants*

Hong Kong

24 June 2004

# Consolidated Profit and Loss Account **25**

Year ended 31 March 2004

	Notes	2004 HK\$	2003 HK\$
TURNOVER	6	<b>53,719,738</b>	32,647,984
Cost of sales		<b>(42,289,144)</b>	(22,233,479)
Gross profit		<b>11,430,594</b>	10,414,505
Other revenue	6	<b>54,267</b>	40,071
Selling and distribution costs		<b>(2,743,952)</b>	(1,762,929)
Administrative expenses		<b>(8,058,258)</b>	(5,934,477)
PROFIT FROM OPERATING ACTIVITIES	7	<b>682,651</b>	2,757,170
Finance costs	8	<b>(305,867)</b>	(118,994)
PROFIT BEFORE TAXATION		<b>376,784</b>	2,638,176
Taxation	11	<b>(175,564)</b>	(417,411)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	12	<b>201,220</b>	2,220,765
DIVIDENDS	13	–	–
EARNINGS PER SHARE	14		
– Basic		<b>HK0.07 cent</b>	HK0.88 cent
– Diluted		<b>N/A</b>	N/A

The accompanying notes form an integral part of these financial statements.

# 26 Consolidated Balance Sheet

31 March 2004

	Notes	2004 HK\$	2003 HK\$
<b>NON-CURRENT ASSETS</b>			
Fixed assets	15	<b>2,015,550</b>	1,707,446
Deferred tax assets	19(a)	<b>72,000</b>	–
		<b>2,087,550</b>	1,707,446
<b>CURRENT ASSETS</b>			
Accounts receivable	17	<b>13,262,517</b>	13,034,015
Prepayments, deposits and other receivables		<b>7,592,790</b>	2,008,868
Taxes refundable		<b>435,408</b>	–
Time bank deposits	20	<b>10,000,000</b>	10,038,235
Cash and bank balances		<b>1,649,786</b>	2,958,544
		<b>32,940,501</b>	28,039,662
<b>CURRENT LIABILITIES</b>			
Accounts payable	18	<b>1,262,676</b>	1,784,908
Accrued expenses and other payables		<b>503,293</b>	1,288,160
Taxes payable		–	280,307
Bank overdrafts – secured	20	<b>6,952,528</b>	–
Current portion of finance lease payables	21	<b>482,294</b>	510,399
		<b>9,200,791</b>	3,863,774
<b>NET CURRENT ASSETS</b>		<b>23,739,710</b>	24,175,888
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>25,827,260</b>	25,883,334
<b>NON-CURRENT LIABILITIES</b>			
Finance lease payables	21	<b>112,874</b>	595,168
Deferred tax liabilities	19(b)	<b>225,000</b>	–
		<b>337,874</b>	595,168
<b>NET ASSETS</b>		<b>25,489,386</b>	25,288,166
<b>CAPITAL AND RESERVES</b>			
Issued capital	22	<b>3,000,000</b>	3,000,000
Reserves	24	<b>22,489,386</b>	22,288,166
		<b>25,489,386</b>	25,288,166

Wong Kwong Kwok  
Director

Yeung Leung Kong  
Director

The accompanying notes form an integral part of these financial statements.

# Statement of Changes in Equity of the Group **27**

Year ended 31 March 2004

	Notes	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Retained earnings HK\$	Total HK\$
Balance at 1 April 2002	22(iii)(b)	44,600	–	3,867,100	1,254,031	5,165,731
Issue of shares to independent investors	22(iii)(c)	5,400	–	–	–	5,400
Issue of shares		–	25,494,600	–	–	25,494,600
Capitalisation issue	22(iv)	2,450,000	(2,450,000)	–	–	–
New issue of shares by way of placing	22(v)	500,000	–	–	–	500,000
Share issue expenses		–	(8,098,330)	–	–	(8,098,330)
Net profit for the year		–	–	–	2,220,765	2,220,765
Balance at 31 March 2003		3,000,000	14,946,270	3,867,100	3,474,796	25,288,166
Net profit for the year		–	–	–	201,220	201,220
Balance at 31 March 2004		3,000,000	14,946,270	3,867,100	3,676,016	25,489,386

The accompanying notes form an integral part of these financial statements.

## 28 Statement of Changes in Equity of the Company

Year ended 31 March 2004

	Notes	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Retained earnings HK\$	Total HK\$
Balance at 1 April 2002	22(iii)(b)	44,600	–	–	–	44,600
Issue of shares to independent investors	22(iii)(c)	5,400	–	–	–	5,400
Arising on Group Reorganisation		–	–	6,509,462	–	6,509,462
Issue of shares		–	25,494,600	–	–	25,494,600
Capitalisation issue	22(iv)	2,450,000	(2,450,000)	–	–	–
New issue of shares by way of placing	22(v)	500,000	–	–	–	500,000
Share issue expenses		–	(8,098,330)	–	–	(8,098,330)
Net loss for the year		–	–	–	(45,952)	(45,952)
Balance at 31 March 2003		3,000,000	14,946,270	6,509,462	(45,952)	24,409,780
Net loss for the year		–	–	–	(194,233)	(194,233)
Balance at 31 March 2004		3,000,000	14,946,270	6,509,462	(240,185)	24,215,547

The accompanying notes form an integral part of these financial statements.

# Consolidated Cash Flow Statement 29

Year ended 31 March 2004

	2004 HK\$	2003 HK\$
Profit before taxation	<b>376,784</b>	2,638,176
Adjustments for:		
Finance costs	<b>305,867</b>	118,994
Interest income	<b>(54,267)</b>	(40,071)
Depreciation	<b>653,121</b>	666,188
Loss on disposals of fixed assets	<b>11,988</b>	17,671
Operating cash flows before movements in working capital	<b>1,293,493</b>	3,400,958
Increase in accounts receivable	<b>(228,502)</b>	(9,627,344)
Increase in prepayments, deposits and other receivables	<b>(5,583,497)</b>	(1,767,496)
Decrease in an amount due from a director	-	163,005
(Decrease)/Increase in accounts payable	<b>(522,232)</b>	982,709
(Decrease)/Increase in accrued expenses and other payables	<b>(784,867)</b>	559,763
Cash used in operating activities	<b>(5,825,605)</b>	(6,288,405)
Interest paid	<b>(241,949)</b>	(30,982)
Interest element of finance lease rental payments	<b>(63,918)</b>	(88,012)
Hong Kong profits tax paid	<b>(738,279)</b>	(437,104)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(6,869,751)</b>	(6,844,503)
<b>INVESTING ACTIVITIES</b>		
Interest received	<b>53,842</b>	40,071
Purchases of fixed assets	<b>(973,213)</b>	(178,476)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(919,371)</b>	(138,405)

# 30 Consolidated Cash Flow Statement

Year ended 31 March 2004

	2004 HK\$	2003 HK\$
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	26,000,000
Share issue expenses	-	(8,098,330)
Capital element of finance lease rental payments	<b>(510,399)</b>	(525,980)
<b>NET CASH (OUTFLOW)/ INFLOW FROM FINANCING ACTIVITIES</b>	<b>(510,399)</b>	17,375,690
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(8,299,521)</b>	10,392,782
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>12,996,779</b>	2,603,997
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>4,697,258</b>	12,996,779
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>1,649,786</b>	2,958,544
Time bank deposits with original maturity of less than three months when acquired	<b>10,000,000</b>	10,038,235
Bank overdrafts	<b>(6,952,528)</b>	-
	<b>4,697,258</b>	12,996,779

The accompanying notes form an integral part of these financial statements.



# Balance Sheet 31

31 March 2004

	Notes	2004 HK\$	2003 HK\$
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	16	<b>6,554,062</b>	6,554,062
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables		<b>75,000</b>	75,000
Amounts due from subsidiaries	16	<b>17,660,639</b>	17,848,917
Cash and bank balances		<b>8,252</b>	15,134
		<b>17,743,891</b>	17,939,051
<b>CURRENT LIABILITIES</b>			
Accrued expenses and other payables		<b>82,406</b>	83,333
<b>NET CURRENT ASSETS</b>		<b>17,661,485</b>	17,855,718
<b>NET ASSETS</b>		<b>24,215,547</b>	24,409,780
<b>CAPITAL AND RESERVES</b>			
Issued capital	22	<b>3,000,000</b>	3,000,000
Reserves	24	<b>21,215,547</b>	21,409,780
		<b>24,215,547</b>	24,409,780

**Wong Kwong Kwok**  
Director

**Yeung Leung Kong**  
Director

The accompanying notes form an integral part of these financial statements.

## **1. GROUP REORGANISATION AND BASIS OF PRESENTATION**

### **The Company**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 June 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 November 2002.

### **Group reorganisation**

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 26 October 2002. This was accomplished by acquiring the entire issued share capital of Precious Logistics Limited ("PLL"), the then immediate holding company of the other subsidiaries, in consideration of and in exchange for the allotment and issue of 4,459,999 shares of HK\$0.01 each in the share capital of the Company credited as fully paid, to the then holding company of PLL. Further details of the Group Reorganisation are set out in note 22 to the financial statements and the prospectus of the Company dated 31 October 2002.

### **Basis of presentation and consolidation**

The Group Reorganisation involved companies under common control. The consolidated financial statements have been prepared using the merger basis of accounting in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP") No. 2.127 "Accounting for group reconstructions". On this basis, the Company has been treated as the holding company of the subsidiaries throughout the financial years presented or from the respective dates of incorporation of these subsidiaries where this is a shorter period, rather than from the date of their acquisitions on 26 October 2002. Accordingly, the consolidated results and cash flows of the Group for the years ended 31 March 2003 and 2004 include the results and cash flows of the Company and its subsidiaries with effect from 1 April 2002 or since their respective dates of incorporation where this is a shorter period.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

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

## 2. CORPORATE INFORMATION

During the year, the Group's principal activities were the provision of logistics services. There have been no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, the ultimate holding company of the Company is Best Method Investments Limited, a company incorporated in the British Virgin Islands.

## 3. ADOPTION OF NEW STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice ("SSAP") 12 issued by the Hong Kong Society of Accountants.

The revision to SSAP 12 (Revised) "Income taxes" has introduced a new basis of accounting for income taxes (including both current taxation and deferred taxation). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred taxation. On adoption of the revised SSAP 12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. As the adoption of SSAP 12 (Revised) has no material effect on the results for the current or prior accounting periods, no prior period adjustment is required.

## 4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements have been prepared under the historical convention and in accordance with accounting standards issued by Hong Kong Society of Accountants, generally accepted accounting principles in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

### (b) 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 results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

## 4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### (c) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) Revenue from the provision of logistics services is recognised when the services are rendered;
- (ii) Revenue from the provision of management services is recognised on an accruals basis; and
- (iii) interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

### (d) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. Cost represents its purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated to write off the cost of each asset over its estimated useful life on the straight-line basis at the following annual rates:

Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

The gain or loss on disposals 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.

#### 4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

**(e) 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.

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 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.

**(f) Taxation**

The charge for taxation is based on the results for the year as adjusted for items, which are non-assessable or disallowable. Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date is used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation is provided on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

## 4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### (g) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

### (h) Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a finance nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

#### 4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(i) **Pension 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.

(j) **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.

(k) **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 into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

## 4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### (l) Cash and cash equivalents

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

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

## 5. SEGMENT INFORMATION

### (a) Geographical segments

Segment information is presented in respect of the Group's geographical segments. In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location where the services are rendered, and assets are attributed to the segments based on the location of the assets.

As all the Group's services are rendered in Hong Kong, no further geographical analysis of revenue or results is presented.



## 5. SEGMENT INFORMATION (continued)

### (a) Geographical segments (continued)

An analysis of the Group's total assets and liabilities by geographical segment is as follows:

	Hong Kong		PRC (excluding Hong Kong)		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment assets	15,708,267	16,824,826	17,562,483	12,896,831	33,270,750	29,721,657
Unallocated assets	-	-	-	-	1,757,301	25,451
Total assets					35,028,051	29,747,108
Segment liabilities	9,174,039	2,954,964	259,131	79,191	9,433,170	3,034,155
Unallocated liabilities	-	-	-	-	105,495	1,424,787
Total liabilities					9,538,665	4,458,942
Other segment information:						
Depreciation	653,121	666,188	-	-	653,121	666,188
Capital expenditure	973,213	1,515,900	-	-	973,213	1,515,900

### (b) Business segments

No further information on the business segments of the Group is presented as the Group is solely engaged in the provision of logistics services.

## 40 Notes to Financial Statements

31 March 2004

### 6. TURNOVER AND REVENUE

Turnover represents the invoiced value of logistics services provided. An analysis of the Group's turnover and other revenue is as follows:

	2004 HK\$	2003 HK\$
Turnover		
Fees for logistics services provided	53,719,738	32,647,984
Other revenue		
Interest income	54,267	40,071
	<b>53,774,005</b>	<b>32,688,055</b>

### 7. PROFIT FROM OPERATING ACTIVITIES

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

	2004 HK\$	2003 HK\$
Cost of services provided	42,289,144	22,233,479
Auditors' remuneration	280,000	380,000
Depreciation	653,121	666,188
Directors remuneration	1,524,000	1,115,555
Staff costs (excluding directors' remuneration)		
Salaries and wages	2,333,386	1,331,705
Pension scheme contributions	106,306	63,659
Minimum lease payments under operating leases		
rental for land and buildings*	634,467	555,235
Exchange losses/(gain), net	591	(237)
Losses on disposals of fixed assets	11,988	17,671

\* Included in the balance for the year ended 31 March 2004 is HK\$210,000 (2003: HKD169,355) in respect of rental expenses for a director's quarters. This balance has been included in the amount of directors' remuneration disclosed in note 9 to the financial statements.

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**8. FINANCE COSTS**

	Group	
	2004	2003
	HK\$	HK\$
Interest on bank overdrafts repayable on demand	<b>241,949</b>	30,982
Interest on finance leases	<b>63,918</b>	88,012
	<b>305,867</b>	118,994

**9. DIRECTORS' REMUNERATION**

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

	2004	2003
	HK\$	HK\$
Fees of an independent non-executive director	<b>120,000</b>	50,000
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	<b>1,380,000</b>	1,045,355
Pension scheme contributions	<b>24,000</b>	20,200
	<b>1,524,000</b>	1,115,555

The remuneration of each of the directors fell within the band of nil to HK\$1,000,000.

Two executive directors and an independent non-executive director received emoluments of HK\$ 872,000 (2003: HK\$620,355), HK\$532,000 (2003: HK\$445,200) and a fee of HK\$120,000 (2003: HK\$50,000), respectively, for the year ended 31 March 2004. There were no emoluments paid or payable to other non-executive directors of the Company during the year (2003: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2003: Nil).

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31 March 2004

### 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2003: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2003: three) non-director, highest paid employees are as follows:

	Group	
	2004	2003
	HK\$	HK\$
Salaries, allowances and benefits in kind	832,667	607,000
Pension scheme contributions	33,000	28,650
	<b>865,667</b>	635,650

The remuneration of each of these remaining three highest paid employees fell within the band nil to HK\$1,000,000.

During the year, no emoluments were paid by the Group to any of the highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2003: Nil).

### 11. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

	Group	
	2004	2003
	HK\$	HK\$
The taxation charge comprises:-		
Current year provision	11,000	486,551
Under/(over) provision in prior years	11,564	(69,140)
Deferred taxation (Note 19)	153,000	-
Tax charge for the year	<b>175,564</b>	417,411

**11. TAXATION (continued)**

Reconciliation between tax expenses and accounting profit at applicable tax rates:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	HK\$
Profit before taxation	<b>376,784</b>	2,638,176
Tax at the domestic tax rate of 17.5% (2003: 16%)	<b>65,937</b>	422,108
Tax effect of non-deductible expenses	<b>71,763</b>	102,625
Tax effect of non-taxable revenue	<b>(9,497)</b>	(1)
Tax effect of unused tax losses not recognized	<b>34,146</b>	7,352
Tax effect on accelerated depreciation allowance	<b>1,651</b>	(45,533)
Under/(over) provision in prior year	<b>11,564</b>	(69,140)
Tax charge for the year	<b>175,564</b>	417,411

**12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS**

Net loss from ordinary activities attributable to shareholders for the year ended 31 March 2004 dealt with in the financial statements of the Company was HK\$194,233 (2003: HK\$45,952).

**13. DIVIDENDS**

No dividends have been paid or declared by the Company during the year (2003: Nil).

**14. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$201,220 (2003: HK\$2,220,765) and on the weighted average number of 300,000,000 (2003: 253,169,834) ordinary shares of the Company.

The weighted average number of shares used to calculate the earnings per share for the year ended 31 March 2004 includes the share issued for cash at par on incorporation, the 540,000 shares issued to certain investors and the corresponding capitalisation issue of 26,460,049 shares, as further detailed in note 22 to the financial statements, as well as the 50,000,000 shares issued subsequently by way of placing in connection with the listing of the Company's shares on the GEM on 15 November 2002.

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### 14. EARNINGS PER SHARE (continued)

Diluted earnings per share is not presented as there are no diluting events during the year.

### 15. FIXED ASSETS

Group

	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK\$	HK\$	HK\$	HK\$
Cost:				
At 1 April 2003	233,316	456,786	2,360,644	3,050,746
Additions	–	273,213	700,000	973,213
Disposals	–	(29,134)	–	(29,134)
At 31 March 2004	233,316	700,865	3,060,644	3,994,825
Accumulated depreciation:				
At 1 April 2003	233,316	163,235	946,749	1,343,300
Charge for the year	–	122,839	530,282	653,121
Eliminated on disposals	–	(17,146)	–	(17,146)
At 31 March 2004	233,316	268,928	1,477,031	1,979,275
Net book value:				
At 31 March 2004	–	431,937	1,583,613	2,015,550
At 31 March 2003	–	293,551	1,413,895	1,707,446

Included in the net book value of the Group's fixed assets as at 31 March 2004 are motor vehicles held under finance leases with net book value of HK\$885,045 (2003: HK\$1,413,895).

31 March 2004

**16. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES**

	Company	
	2004	2003
	HK\$	HK\$
Unlisted shares, at cost	6,554,062	6,554,062
Amounts due from subsidiaries	17,660,639	17,848,917
	<b>24,214,701</b>	24,402,979

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

Particulars of the subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal of value of issued share capital	Percentage of equity attributable		Principal activities
			to the Company		
			Direct	Indirect	
Precious Logistics Limited	British Virgin Islands	US\$10,000 Ordinary	100	–	Investment holding
Marine Power Company Limited	Hong Kong	HK\$100,000 Ordinary	–	100	Provision of logistics services
June (China Hong Kong) Transportation Company Limited	Hong Kong	HK\$10,000 Ordinary	–	100	Provision of transportation services

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31 March 2004

### 17. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are on credit for which the credit period is generally up to 60 days (2003: 60 days), except for certain well-established customers having strong financial strength, good repayment history and creditworthiness, where the terms are extended beyond 60 days.

Ageing analysis of the Group's accounts receivable at the balance sheet date, based on invoice date, is as follows:

	Group	
	2004	2003
	HK\$	HK\$
Within 90 days	12,555,671	11,155,014
Between 91 and 180 days	200,697	1,645,859
Between 181 and 365 days	176,685	233,142
Over 365 days	329,464	–
	<b>13,262,517</b>	<b>13,034,015</b>

### 18. ACCOUNTS PAYABLE

Ageing analysis of the Group's accounts payable at the balance sheet date, based on invoice date, is as follows:

	Group	
	2004	2003
	HK\$	HK\$
Within 90 days	1,262,286	1,765,353
Between 91 and 180 days	390	5,070
Between 181 and 365 days	–	14,485
	<b>1,262,676</b>	<b>1,784,908</b>



**19. DEFERRED TAXATION****(a) Deferred tax assets**

	Group	
	2004	2003
	HK\$	HK\$
Balance at the beginning of the year	–	–
Credited to profit and loss account (Note c)	72,000	–
Balance at the end of the year	72,000	–
Amount to be recovered after more than one year	72,000	–

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable. As at 31 March 2004, the Group has unrecognized tax losses of HK\$411,418 (2003: Nil) to carry forward against future taxable income.

**(b) Deferred tax liabilities**

	Group	
	2004	2003
	HK\$	HK\$
Balance at the beginning of the year	–	–
Debited to profit and loss account (Note c)	225,000	–
Balance at the end of the year	225,000	–
Amount to be payable after more than one year	225,000	–

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### 19. DEFERRED TAXATION (continued)

(c) Deferred taxation (credited)/charged to profit and loss account is as follows:

	Group	
	2004	2003
	HK\$	HK\$
Deferred tax assets (Note a)	(72,000)	–
Deferred tax liabilities (Note b)	225,000	–
Deferred taxation credited to profit and loss account (Note 11)	153,000	–

### 20. BANKING FACILITIES

At 31 March, 2004, the Group has general banking facilities available of HK\$11,000,000 (2003: HK\$11,000,000). These facilities are provided to the subsidiary of the Company and are guaranteed by the Company and are secured under a condition such that deposits with the bank shall be maintained of not less than HK\$10,000,000 (2003: HK\$10,000,000).

## 21. FINANCE LEASE PAYABLES

During the year, the Group leased certain motor vehicles for its business operations. These leases are classified as finance leases and have remaining lease terms ranging between one and three years.

At 31 March 2004, the total future minimum lease payments under finance leases and their present values were as follows:

### Group

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Amounts payable:				
Within one year	510,336	574,317	482,295	510,399
In the second year	114,448	510,336	112,873	482,295
In the third to fifth years, inclusive	–	114,449	–	112,873
Total minimum finance lease payments	624,784	1,199,102	595,168	1,105,567
Future finance charges	(29,616)	(93,535)		
Total net finance lease payables	595,168	1,105,567		
Portion classified as current liabilities	(482,294)	(510,399)		
Long term portion	112,874	595,168		

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## 22. SHARE CAPITAL

	Notes	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$
Authorised:			
On incorporation	(i)	10,000,000	100,000
Increase in authorized share capital	(iii)(a)	9,990,000,000	99,900,000
		10,000,000,000	100,000,000
Issued and fully paid:			
On acquisition of PLL	(iii)(b)	4,459,999	44,600
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public by way of placing		218,539,951	–
Pro forma issued share capital as at 31 March 2002		222,999,950	44,600
On incorporation	(ii)	1	–
Issue of shares to independent investors	(iii)(c)	540,000	5,400
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public by way of placing		26,460,049	–
Capitalisation of share premium account as set out above	(iv)	–	2,450,000
New issue of shares by way of placing	(v)	50,000,000	500,000
At 31 March 2003 and 31 March 2004		300,000,000	3,000,000

## 22. SHARE CAPITAL (continued)

The following changes in the Company's authorised and issued share capital took place during the period from 12 June 2002 (date of incorporation of the Company) to 31 March 2003:

*Notes:*

- (i) On 12 June 2002, the authorised share capital of the Company was HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each.
- (ii) On 14 June 2002, one share was allotted and issued for cash at par.
- (iii) Pursuant to written resolutions of the sole shareholder of the Company passed on 26 October 2002:
  - (a) the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of an additional 9,990,000,000 shares of HK\$0.01 each;
  - (b) the Company allotted and issued an aggregate of 4,459,999 shares of HK\$0.01 each, credited as fully paid, as consideration for the acquisition of the entire issued share capital of PLL. The excess of the fair value of the shares of PLL, determined on the basis of its consolidated net assets at that date, over the nominal value of the Company's shares issued in exchange therefor, amounting to HK\$6,509,462, was credited to the Company's capital reserve; and
  - (c) the Company allotted and issued 540,000 ordinary shares of HK\$0.01 each to three independent third parties in equal proportions for an aggregate cash consideration of HK\$6,000,000.
- (iv) On 6 November 2002, an aggregate of 245,000,000 shares of HK\$0.01 each were allotted and issued, credited as fully paid, at par to the holders of the ordinary shares whose names appeared on the register of members of the Company on 29 October 2002, in proportion to their respective shareholdings, by way of capitalisation of the sum of HK\$2,450,000 standing to the credit of share premium account of the Company, conditional on the share premium account being credited as a result of the new issue of shares to the public as set out in (v) below.
- (v) Pursuant to the listing of the Company's shares on the GEM on 15 November 2002, the Company issued 50,000,000 shares of HK\$0.01 each at a price of HK\$0.40 per share to the public by way of placing for a total consideration of HK\$20,000,000, before issue expenses of HK\$8,098,330.

There have been no movements in share capital for the year ended 31 March 2004.

**23. SHARE OPTION SCHEME**

Under the terms of the share option scheme (the "Scheme") adopted by the Company on 26 October 2002, the board of directors (the "Board") and a duly authorised committee (the "Committee") of the Company is authorised, at their absolute discretion, to invite any employees, directors, advisers, consultants, distributors, suppliers, agents, customers, business partners and service providers to or of any member of the Group, shareholders (including their directors and employees) of any member of the Group and such other persons whom the Board or the Committee considers to have contributed or will contribute to the Group to take up options to subscribe for shares of the Company. The purpose of the Scheme is to encourage its participants to contribute to the growth of the Group.

The Scheme became effective on 15 November 2002 and, unless otherwise cancelled or amended, remains in force for ten years from that date.

The maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company may not exceed 10% of the issued share capital of the Company, or may not exceed a maximum of 30% should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive, substantial shareholder or management shareholders of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive directors who are the prospective grantees in question). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

## 23. SHARE OPTION SCHEME (continued)

An option may be exercised in accordance with the terms of the Scheme at any time during the option period after the option has been granted by the Board. The option period, during which an option may be exercised, is determined by the Board or the Committee, but may not be later than ten years after the date of the grant of the option. According to the Scheme, there is no provision requiring a minimum holding period before an option may be exercised. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option under the Scheme.

The exercise price will be determined by the Board or the Committee, but may not be less than the higher of (i) the closing price of the shares on the GEM of the Stock Exchange on the date of the options granted; (ii) the average of the closing prices of the shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of the options granted; and (iii) the nominal value of the shares.

No share options had been granted under the Scheme as at 31 March 2004 (2003: Nil) or up to the date of approval of these financial statements. As at the date of approval of these financial statements, 30,000,000 shares are available for issue under the Scheme, representing 10% of the issued share capital of the Company at that date.

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

## 24. RESERVES

Movements of reserves of the Group and Company are set out under the statement of changes in equity.

The capital reserve of the Group represents (i) the difference between the aggregate nominal value of the share capital of the subsidiaries acquired by the Company and the nominal value of the share capital of the Company issued as consideration in exchange thereof pursuant to the Group Reorganisation; and (ii) the premium arising from the issue of shares by PLL in settlement of the loans from the former shareholders of a subsidiary.

The capital reserve of the Company represents the excess of the then consolidated net assets of the subsidiaries acquired pursuant to the Group Reorganisation over the nominal value of the Company's shares issued in exchange thereof. Under the Companies Law of the Cayman Islands, the capital reserve may be distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

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### 25. CONTINGENT LIABILITIES

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

	Company	
	2004	2003
	HK\$	HK\$
Guarantee provided to a subsidiary company for its utilized banking facilities at the balance sheet date	6,952,528	–

### 26. OPERATING LEASE ARRANGEMENTS

The Group leases its office premises and a director's quarters under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

At 31 March 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2004	2003
	HK\$	HK\$
Within one year	472,500	634,468
In the second to fifth years, inclusive	420,000	52,500
	892,500	686,968

### 27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 June 2004.