

Notes to the Financial Statements

1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an associate of I-China Holdings Limited ("I-China", formerly known as Seapower International Holdings Limited) which, as at 31st March, 2001, held an equity interest of approximately 36% in the Company. The shares of I-China are also listed on the Stock Exchange. I-China together with its subsidiaries is hereinafter referred to as the "I-China Group".

The Company is an investment holding company. The Group is principally engaged in cold storage warehousing and logistic management and related services, property investment and money lending.

The Group's subsidiaries which were engaged in food retailing and distribution and financial services business other than money lending were gradually disposed of during the years ended 31st March, 2001 and 2000. Accordingly, the activities of food retailing and distribution and financial services business other than money lending were classified as discontinued operations for the years ended 31st March, 2001 and 2000.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group in the light of the Group's net current liabilities of approximately HK\$1,267 million.

As explained in note 25, the Group's servicing of borrowings from certain financial creditors (the "Financial Creditors") were not made according to the schedules set by the Financial Creditors such that the Group's total borrowings from these Financial Creditors have become due for immediate repayment. This has given rise to the steps described in (i) to (iii) below.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

- (i) On 11th June, 2001, notices were received by the Group to appoint receivers for two of the Group's cold storage warehouses in Hong Kong (the "Properties"), which have been mortgaged to a banking syndicate (the "Banking Syndicate") to secure facilities granted to the Group (the "Syndicated Loans"), pursuant to the provisions in the mortgage documents dated 17th December, 1998 for the legal charges of the Properties and as a result of the failure of the Group to make repayment in accordance with the schedule. On 13th July, 2001, the Banking Syndicate issued writs of summons to another subsidiary of the Group as a guarantor to the above-mentioned Syndicated Loans and which operates the Group's remaining cold storage warehouse in Hong Kong, demanding immediate repayment of the Syndicated Loans. As at the date of this report, the Properties continue to be used by the Group for its cold storage warehousing businesses. The outstanding borrowings from the Banking Syndicate as at 31st March, 2001, excluding interest, amounted to approximately HK\$453,000,000.
- (ii) Subsequent to the balance sheet date, the Group was requested by one of the Financial Creditors (a member of the Banking Syndicate) to deliver (i) certain of its investment properties and other land and buildings with carrying values at valuation of approximately HK\$160,400,000 as at 31st March, 2001; and (ii) share certificates of certain listed investments with book value of approximately HK\$12,550,000 as at 31st March, 2001, for disposal of these secured assets to repay the outstanding borrowings due to this financial creditor. The outstanding borrowings from this financial creditor as at 31st March, 2001, excluding interest, amounted to approximately HK\$263,007,000.
- (iii) Subsequent to the balance sheet date, the Group put certain of its investment properties with valuation of approximately HK\$89,000,000 as at 31st March, 2001 for sale by tender so as to repay the associated secured borrowings from a financial creditor (not a member of the Banking Syndicate). Any sales are subject to the approval of that financial creditor, the relevant outstanding secured borrowings from which as at 31st March, 2001, excluding interest, amounted to approximately HK\$69,044,000.

The financial statements have been prepared on a going concern basis on the basis that in the context of the events described above, agreement can be reached with the Financial Creditors to provide the Group with sufficient funding for its requirements.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties, properties held for development, cold storage warehouses, other land and buildings and certain investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are 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, associates and jointly controlled entities acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

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

Goodwill and capital reserve

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is capitalised and amortised on a straight line basis over its useful economic life not exceeding twenty years.

Goodwill is capitalised as an asset and amortised on a straight line basis over its useful economic life where it is probable that the future economic benefits that are attributable to the goodwill will flow to the Group over the estimated useful life of the goodwill, which is assessed by the Directors with reference to the probability of future economic benefits using reasonable and supportable assumptions that represent the Directors' best estimate of the set of economic conditions that will exist over the useful life of the goodwill.

Goodwill is recognised as an asset and amortised on a systematic basis over its useful economic life less impairment losses recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and capital reserve (continued)

Capital reserve, which represents the excess over the purchase consideration of the fair value ascribed to the Group's share of the separable net assets at date of acquisition of a subsidiary, is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of an associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of investments in subsidiaries and associates, the attributable amount of unamortised goodwill or goodwill previously credited to reserves is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any impairment losses recognised.

Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions of the investee.

The consolidated income statement includes the Group's share of post-acquisition results of the associates for the year and the consolidated balance sheet includes the Group's share of net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

Notes to the Financial Statements (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Jointly controlled entities

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

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture entities, except where unrealised losses provide evidence of an impairment of the assets transferred.

Revenue recognition

Rental income under operating leases is recognised on a straight line basis over the terms of the respective leases.

Sales of securities, foreign exchange, commodities and bullion are recognised when the contracts of the relevant transaction are entered into.

Sales of goods are recognised when goods are delivered and title has passed.

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

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Investment properties

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Investment properties are stated at their open market values based on independent professional valuations at each balance sheet date. No depreciation or amortisation is provided for investment properties with an unexpired term, including the renewable period, of more than twenty years.

Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the consolidated income statement. Where a deficit has previously been charged to the consolidated income statement and a revaluation surplus subsequently arises, this surplus is credited to the consolidated income statement to the extent of the deficit previously charged.

On the subsequent disposal of investment properties, the balance on the investment property revaluation reserve attributable to the disposed properties is transferred to the consolidated income statement.

Property, plant and equipment

Properties held for development, which are those properties being developed for production, rental or administrative purposes or for purposes not yet determined, are stated at valuation less provision for permanent diminution in value, if necessary. Cost comprises the acquisition cost and other incidental costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are put into use.

Property, plant and equipment, other than properties held for development, are stated at cost or valuation less depreciation or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated income statement 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 asset, the expenditure is capitalised as an additional cost of the asset.

Notes to the Financial Statements (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flow are not discounted to their present values.

Cold storage warehouses and other land and buildings are stated at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any surplus arising on revaluation of property, plant and equipment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case this surplus is credited to the consolidated income statement to the extent of the deficit previously charged. A decrease in the net carrying amount arising on revaluation of such properties is charged to the consolidated income statement to the extent that it exceeds the surplus, if any, held in the asset revaluation reserve relating to previous revaluation of that particular asset. On the subsequent disposal of such asset, the attributable revaluation surplus not yet transferred to deficit in prior years is transferred to deficit.

Amortisation is provided to write off the valuation of leasehold land over the terms of the respective leases using the straight line method. Freehold land is not amortised.

The valuation of buildings is depreciated over their estimated useful lives of fifty years or, where shorter, the terms of the respective leases using the straight line method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)***Property, plant and equipment*** (continued)

Depreciation and amortisation are provided to write off the cost of other assets over their estimated useful lives, using the straight line method, at the following rates per annum:

Furniture, machinery and equipment	10% to 33%
Motor vehicles	20%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group or, where shorter, the terms of the respective leases.

Investments in securities

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

Investments other than held-to-maturity debt 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 year.

Inventories

Inventories held for resale are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Notes to the Financial Statements (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets held under finance leases

Assets are classified as being held under finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the assets conserved to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the consolidated balance sheet as obligations under finance leases. Finance costs, which represent the difference between the total leasing commitments and the outstanding principal amount at the inception of the finance leases, are charged to the consolidated income statement over the periods of the respective leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the consolidated income statement on a straight line basis over the terms of the respective leases.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. The tax effect of timing differences, which arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements, is computed under the liability method and is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Retirement benefit scheme

The amount of the contributions payable in respect of the current year to the Group's defined contribution retirement benefit scheme is charged to the consolidated income statement.

Certain of the Group's employees have been enrolled in a Mandatory Provident Fund scheme ("MPF"). The contributions payable in respect of the current year to the fund are charged as an expense as they fall due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)***Foreign currencies***

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the consolidated income statement.

In preparing consolidated financial statements, the financial statements of overseas operations are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with in reserves.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

Notes to the Financial Statements (continued)

4. SEGMENTAL INFORMATION

The Group's turnover and contribution to results from operations for the year ended 31st March, 2001, analysed by principal activity and geographical location, are as follows:

	Turnover		Contribution to results from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity:				
Continuing operations:				
Cold storage warehousing, logistics management and related services	178,861	205,848	34,209	51,962
Financial services – money lending business:				
Interest income (<i>note</i>)	2,207	4,749	2,207	4,749
Rental income	12,906	11,935	9,969	8,327
	193,974	222,532	46,385	65,038
Discontinued operations:				
Food retailing and distribution	7,136	61,819	1,762	2,037
Financial services other than money lending business:				
Interest income (<i>note</i>)	–	6,443	–	6,443
Fees and related income securities, corporate finance and related services	–	9,465	–	6,473
	7,136	77,727	1,762	14,953
	201,110	300,259	48,147	79,991
Unallocated corporate items:				
– Other revenue			64,891	95,746
– Selling and administrative expenses			(91,099)	(120,293)
– Other operating expenses			(127,827)	(68,179)
Loss from operations			(105,888)	(12,735)

4. SEGMENTAL INFORMATION (continued)

Note:

	2001 HK\$'000	2000 <i>HK\$'000</i>
Interest income received and receivable from:		
Banks and others	1,811	5,580
I-China Group (<i>note 40</i>)	396	5,612
	2,207	11,192
Less: Interest income from discontinued operations	–	(6,443)
Interest income from continuing operations	2,207	4,749

	Turnover		Contribution to results from operations	
	2001 HK\$'000	2000 <i>HK\$'000</i>	2001 HK\$'000	2000 <i>HK\$'000</i>
By geographical location:				
Continuing operations:				
Hong Kong	176,850	201,074	41,725	58,567
Australia	17,124	21,458	4,660	6,471
	193,974	222,532	46,385	65,038
Discontinued operations:				
Australia	7,136	27,607	1,762	85
Hong Kong	–	50,120	–	14,868
	7,136	77,727	1,762	14,953
	201,110	300,259	48,147	79,991

Notes to the Financial Statements (continued)

5. OTHER REVENUE

	2001 HK\$'000	2000 HK\$'000
Other revenue comprises:		
Net realised gain on other investments	51,088	62,694
Unrealised gain on other investments	11,197	5,411
Sundry income	2,606	7,642
Surplus arising on revaluation of investment properties	–	17,357
Surplus arising on revaluation of other land and buildings	–	2,642
	64,891	95,746

6. OTHER OPERATING EXPENSES

	2001 HK\$'000	2000 HK\$'000
Other operating expenses comprises:		
Provision for bad and doubtful debts	59,260	13,413
Deficit arising on revaluation of cold storage warehouses and other land and buildings	30,933	–
Deficit arising on revaluation of investment properties	28,990	–
Bank charges	8,559	5,153
Provision for impairment losses of goodwill	85	30,134
Amortisation of goodwill	–	14,992
Write down of investment in convertible notes to net realisable value and provision for accrued interest	–	4,487
	127,827	68,179

7. LOSS FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
Loss from operations has been arrived at after charging:		
Directors' emoluments excluding retirement benefit scheme and MPF contributions of approximately HK\$722,000 (2000: HK\$775,000)	9,836	12,600
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$254,000 (2000: HK\$102,000) and MPF contributions	2,333	3,691
Other staff costs	61,512	73,368
Total staff costs	73,681	89,659
Auditors' remuneration:		
Current year	1,146	969
Under(over)provision in previous years	294	(784)
Depreciation and amortisation:		
Owned assets	49,364	57,456
Assets held under finance leases	224	1,078
Loss on disposals of property, plant and equipment	5,985	297
Management fees payable to I-China Group (note 40)	2,336	4,652
Rental expenses under operating leases (note)	3,599	13,406
and after crediting:		
Gain on disposal of investment properties	-	29
Rental income	12,906	11,935

Notes to the Financial Statements (continued)

7. LOSS FROM OPERATIONS (continued)

Note:

	2001 HK\$'000	2000 <i>HK\$'000</i>
Rental expenses under operating leases in respect of:		
Premises	2,907	11,937
Others	692	1,469
	3,599	13,406
Rental expenses payable to I-China Group (<i>note 40</i>)	(2,213)	(3,285)
Rental expenses payable to outsiders	1,386	10,121

8. FINANCE COSTS

	2001 HK\$'000	2000 <i>HK\$'000</i>
Interest payable on:		
Bank and other borrowings wholly repayable within five years	121,670	100,166
Bank and other borrowings not wholly repayable within five years	–	24,403
Obligations under finance leases	232	310
	121,902	124,879

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of the Directors and the five highest paid employees are as follows:

(a) Directors' emoluments

	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive Directors	55	57
Non-executive Director	12	–
Independent Non-executive Directors	24	24
	91	81
Other emoluments:		
Executive Directors		
Salaries and other benefits	6,940	9,896
Performance related incentive payments	–	2,623
Retirement benefit scheme and MPF contributions	491	775
Non-executive Director		
Salaries and other benefits	2,805	–
Retirement benefit scheme and MPF contributions	231	–
	10,467	13,294
	10,558	13,375

The emoluments of the Directors are within the following bands:

	Number of Directors	
	2001	2000
Nil to HK\$1,000,000	4	4
HK\$1,000,001 – HK\$1,500,000	2	–
HK\$2,000,001 – HK\$2,500,000	2	–
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	–	1

Notes to the Financial Statements (continued)

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

During the year, the five highest paid individuals included four (2000: three) Directors, details of whose emoluments are set out above. The emoluments of the remaining one (2000: two) individuals are as follows:

	2001 HK\$'000	2000 <i>HK\$'000</i>
Salaries and other benefits	1,920	4,224
Retirement benefit scheme and MPF contributions	96	182
	<u>2,016</u>	<u>4,406</u>

The emoluments of the employees are within the following bands:

	Number of employees	
	2001	2000
HK\$2,000,001 – HK\$2,500,000	<u>1</u>	<u>2</u>

During the years ended 31st March, 2001 and 2000, 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 or as compensation for loss of office. In addition, during the years ended 31st March, 2001 and 2000, no Directors waived any emoluments.

10. PROVISION FOR DIMINUTION IN VALUE OF ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	2001 HK\$'000	2000 <i>HK\$'000</i>
Provision for diminution in value of:		
Associates	–	69,904
Jointly controlled entities	–	7,500
	<u>–</u>	<u>77,404</u>

11. TAXATION CREDIT

	2001 HK\$'000	2000 HK\$'000
The (credit) charge comprises:		
Under(over)provision of Hong Kong Profits Tax in prior years	91	(191)
Overseas taxation	—	71
	91	(120)
Deferred taxation (<i>note 26</i>)	(500)	(209)
Taxation attributable to the Company and its subsidiaries	(409)	(329)
Share of taxation on results of associates	2	59
	(407)	(270)

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries did not have any assessable profits for both years.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Details of deferred taxation are set out in note 26.

12. NET LOSS FOR THE YEAR

Of the Group's net loss for the year of approximately HK\$239,054,000 (2000: HK\$161,474,000), a loss of approximately HK\$398,814,000 (2000: a profit of HK\$60,900,000) has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of approximately HK\$239,054,000 (2000: HK\$161,474,000) and on 1,547,042,829 (2000: weighted average of 1,366,583,813) shares in issue during the year.

No amount has been presented for the diluted loss per share for the years ended 31st March, 2001 and 2000 as the exercise of the outstanding share options of the Company during the year 31st March, 2001 and 2000 would result in reducing loss per share.

Notes to the Financial Statements (continued)

14. INVESTMENT PROPERTIES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
At beginning of the year	352,900	297,600
Disposals	–	(1,671)
Reclassified from other land and buildings	–	39,614
(Deficit) surplus on revaluation	(28,990)	17,357
At end of the year	<u>323,910</u>	<u>352,900</u>

The carrying value of the Group's investment properties at the balance sheet date comprises:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Held in Hong Kong under medium-term lease	188,700	229,000
Held outside Hong Kong under long lease	135,210	123,900
	<u>323,910</u>	<u>352,900</u>

The investment properties of the Group, which are rented out or to be rented under operating leases, were revalued at 31st March, 2001 on an open market existing use basis by Debenham Tie Leung and Chesterton Petty Limited ("Chesterton"), independent firms of professional property valuers, at approximately HK\$135,210,000 and approximately HK\$188,700,000, respectively. The deficit arising on revaluation amounting to approximately HK\$28,990,000 has been charged to the consolidated income statement.

Certain investment properties of the Group have been pledged to secure banking facilities granted to the Group.

The Group is in the process of obtaining Certificate for Housing Ownership in respect of the Group's investment properties amounting to approximately HK\$135,210,000 (2000: HK\$123,900,000).

15. PROPERTY, PLANT AND EQUIPMENT

	Properties held for development	Cold storage warehouses	Other land and buildings	Furniture, machinery and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
COST OR VALUATION						
At 1st April, 2000	73,626	1,428,433	101,542	51,947	3,847	1,659,395
Exchange adjustments	(20,080)	(6,882)	(868)	(3,114)	(313)	(31,257)
Additions	–	47	–	12,897	928	13,872
Acquisition of subsidiaries	–	–	–	20	–	20
Disposal of subsidiaries	–	–	–	(7,805)	–	(7,805)
Other disposals	–	–	(4,147)	(15,215)	(1,466)	(20,828)
Deficit on revaluation	–	(276,873)	(32,907)	–	–	(309,780)
At 31st March, 2001	<u>53,546</u>	<u>1,144,725</u>	<u>63,620</u>	<u>38,730</u>	<u>2,996</u>	<u>1,303,617</u>
Comprising:						
At cost	–	–	–	38,730	2,996	41,726
At valuation – 2001	<u>53,546</u>	<u>1,144,725</u>	<u>63,620</u>	–	–	<u>1,261,891</u>
	<u>53,546</u>	<u>1,144,725</u>	<u>63,620</u>	<u>38,730</u>	<u>2,996</u>	<u>1,303,617</u>
DEPRECIATION AND AMORTISATION						
At 1st April, 2000	–	–	–	30,835	3,098	33,933
Exchange adjustments	–	–	–	(1,473)	(160)	(1,633)
Provided for the year	–	38,238	2,408	8,764	178	49,588
Disposal of subsidiaries	–	–	–	(1,365)	–	(1,365)
Eliminated on other disposals	–	–	(187)	(11,034)	(645)	(11,866)
Write back on revaluation	–	(38,238)	(2,221)	–	–	(40,459)
At 31st March, 2001	<u>–</u>	<u>–</u>	<u>–</u>	<u>25,727</u>	<u>2,471</u>	<u>28,198</u>
NET BOOK VALUES						
At 31st March, 2001	<u>53,546</u>	<u>1,144,725</u>	<u>63,620</u>	<u>13,003</u>	<u>525</u>	<u>1,275,419</u>
At 31st March, 2000	<u>73,626</u>	<u>1,428,433</u>	<u>101,542</u>	<u>21,112</u>	<u>749</u>	<u>1,625,462</u>

Notes to the Financial Statements (continued)**15. PROPERTY, PLANT AND EQUIPMENT** (continued)

	Furniture, machinery and equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE COMPANY			
COST			
At 1st April, 2000	16,362	1,658	18,020
Additions	84	145	229
Disposals	(11,610)	(145)	(11,755)
	<u>4,836</u>	<u>1,658</u>	<u>6,494</u>
At 31st March, 2001	4,836	1,658	6,494
DEPRECIATION			
At 1st April, 2000	8,586	1,658	10,244
Provided for the year	3,343	11	3,354
Eliminated on disposals	(9,066)	(11)	(9,077)
	<u>2,863</u>	<u>1,658</u>	<u>4,521</u>
At 31st March, 2001	2,863	1,658	4,521
NET BOOK VALUES			
At 31st March, 2001	<u>1,973</u>	<u>–</u>	<u>1,973</u>
At 31st March, 2000	<u>7,776</u>	<u>–</u>	<u>7,776</u>

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of properties held by the Group at the balance sheet date comprises:

	2001			2000		
	Properties held for development HK\$'000	Cold Storage ware-houses HK\$'000	Other land and buildings HK\$'000	Properties held for development HK\$'000	Cold storage ware-houses HK\$'000	Other land and buildings HK\$'000
Held in Hong Kong under medium-term lease	-	1,120,000	60,700	-	1,395,000	93,617
Held outside Hong Kong under:						
Freehold	-	24,725	-	-	33,433	4,015
Long lease	-	-	1,620	-	-	1,860
Medium-term lease	53,546	-	1,300	73,626	-	2,050
	53,546	1,144,725	63,620	73,626	1,428,433	101,542

Properties held for development in Indonesia were revalued in May 2000 by PT. DIAN ANDILTA UTAMA, appraisal and property consultants, on a fair market value basis, at approximately Indonesian Rupiah 66,932,588,000. In the opinion of the Directors, the fair market value of these properties as at 31st March, 2001 would not be significantly different from that in May 2000. Accordingly, these properties were stated at Indonesian Rupiah 66,932,588,000 (equivalent to approximately HK\$53,546,000) as at 31st March, 2001. The Group will proceed to obtain the legal title of the properties held for development in Indonesia when an extensive plan for development is formulated.

Notes to the Financial Statements (continued)**15. PROPERTY, PLANT AND EQUIPMENT** (continued)

The Group's cold storage warehouses located in Hong Kong were revalued by Debenham Tie Leung, as at 28th March, 2001 at an open market existing use basis at approximately HK\$1,120,000,000. Cold storage warehouses located outside Hong Kong were revalued as at 2nd April, 2001, by David Nelson & Partners, on an open market existing use basis, at approximately HK\$24,725,000. In the opinion of the Directors, the fair market value of these properties as at 31st March, 2001 would not be significantly different from that as at 28th March, 2001 and 2nd April, 2001. Accordingly, these properties were stated at an aggregate value of approximately HK\$1,144,725,000 as at 31st March, 2001. The deficit arising on revaluation of these properties amounted to approximately HK\$238,635,000, of which approximately HK\$238,507,000 and approximately HK\$128,000 have been debited to the asset revaluation reserve as set out in note 29 and charged to the consolidated income statement, respectively.

Other land and buildings of the Group located in Hong Kong were revalued by Debenham Tie Leung, as at 31st March, 2001 at an open market existing use basis, at approximately HK\$60,700,000. Certain other land and buildings of the Group located outside Hong Kong were revalued by Chesterton as at 31st March 2001, on an open market existing use basis, at the amount of approximately HK\$1,620,000. The deficit arising on revaluation of these other land and buildings as at 31st March, 2001 amounted to approximately HK\$30,686,000, of which approximately HK\$119,000 and approximately HK\$30,805,000 have been credited to the asset revaluation reserves as set out in note 29 and charged to the consolidated income statement, respectively. The remaining other land and buildings located outside Hong Kong were valued as at 31st March 2001 by the Directors at approximately HK\$1,300,000, with no resulting revaluation surplus/deficit.

At 31st March, 2001, had the Group's cold storage warehouses and other land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value would have been approximately HK\$720,251,000 (2000: HK\$746,860,000) and approximately HK\$173,209,000 (2000: HK\$179,640,000), respectively.

At 31st March, 2001, the net book value of the property, plant and equipment of the Group includes an amount of approximately HK\$839,000 (2000: HK\$4,756,000) in respect of assets held under finance leases.

16. GOODWILL

	THE GROUP
	<i>HK\$'000</i>
COST	
At 1st April, 2000	75,110
Acquisition of subsidiaries	85
	<hr/>
At 31st March, 2001	75,195
	<hr/>
AMORTISATION	
At 1st April, 2000	75,110
Provision for impairment loss	85
	<hr/>
At 31st March, 2001	75,195
	<hr/>
NET BOOK VALUES	
At 31st March, 2001	–
	<hr/> <hr/>
At 31st March, 2000	–
	<hr/> <hr/>

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	408,087	482,452
Amounts due from subsidiaries	2,193,236	2,092,404
	<hr/>	<hr/>
	2,601,323	2,574,856
Less: Impairment losses recognised	(913,751)	(586,731)
	<hr/>	<hr/>
	1,687,572	1,988,125
	<hr/> <hr/>	<hr/> <hr/>

Particulars of the Company's principal subsidiaries as at 31st March, 2001 are set out in note 42.

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

Notes to the Financial Statements (continued)**17. INTERESTS IN SUBSIDIARIES** (continued)

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

18. INTERESTS IN ASSOCIATES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets	–	77,454
Amount due from an associate	–	10,361
	–	87,815
Less: Impairment losses recognised	–	(47,000)
	–	40,815
	<u>–</u>	<u>40,815</u>

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets	–	81
Amounts due from jointly controlled entities less provision	–	2,835
	–	2,916
	<u>–</u>	<u>2,916</u>

20. OTHER INVESTMENTS

	THE GROUP		THE COMPANY	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Listed shares in Hong Kong	25,665	6,708	513	5,984
Unlisted shares and investments in Hong Kong	–	27,271	–	–
	25,665	33,979	513	5,984
Market value of listed securities at 31st March	25,665	6,708	513	5,984
Carrying amount analysed for reporting purposes as:				
Non-current	25,100	27,271	–	–
Current	565	6,708	513	5,984
	25,665	33,979	513	5,984

Notes to the Financial Statements (continued)**21. TRADE AND OTHER RECEIVABLES**

Included in the Group's trade and other receivables were trade receivable and short-term loans receivable as follows:

(a) Trade receivables

The Group allows an average credit period of 60 days to its trade customers.

Details of the aged analysis of trade receivables of the Group are as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
0 – 30 days	12,535	16,538
31 – 60 days	7,247	10,775
61 – 180 days	4,297	6,618
More than 180 days	215	2,706
	24,294	36,637

- (b) At 31st March, 2001, the Group and the Company had short-term loans receivable of approximately HK\$3,519,000 (2000: HK\$18,904,000) and approximately HK\$180,000 (2000: HK\$990,000), respectively.

At the balance sheet date, the majority of the securities held as collateral for short-term loans receivable were re-pledged to financial institutions to secure general credit facilities granted to the Group.

22. AMOUNTS DUE FROM (TO) I-CHINA GROUP

Particulars of the amounts due from (to) I-China Group are as follows:

Nature of the advances	THE GROUP			THE COMPANY		
	Balance at 31.3.2001 HK\$'000	Balance at 1.4.2000 HK\$'000	Maximum	Balance at 31.3.2001 HK\$'000	Balance at 1.4.2000 HK\$'000	Maximum
			debit			debit
			balance			balance
Balance outstanding during the year HK\$'000	Balance outstanding during the year HK\$'000	Balance outstanding during the year HK\$'000	Balance outstanding during the year HK\$'000			
Amounts due from I-China Group						
- Interest bearing (note)	Secured	1,655	1,655	1,655	-	-
	Unsecured	4,465	2,147	4,465	-	2,147
- Interest-free	Unsecured	932	9,451	9,451	158	8,722
		7,052	13,253		158	10,869
Less: Provision		(7,052)	-		(158)	-
		-	13,253		-	10,869
Amount due to I-China Group						
- Interest-free	Unsecured	-	3,834		-	3,656

Note: The amount represents secured loans granted by Seapower Finance Limited, a subsidiary of the Company and a licensed money lender whose principal activity is money lending. The loans bear interest at prevailing market rates and are secured by collateral of shares and property, plant and equipment with an aggregate carrying value of approximately HK\$12,468,000 (2000: HK\$65,899,000) as at 31st March, 2001.

The amounts due from (to) I-China Group at 31st March, 2000 had no fixed terms of repayment. The amounts due to I-China Group were repaid during the year.

Notes to the Financial Statements (continued)

23. TRADE AND OTHER PAYABLES

Included in trade and other payables were trade payables of approximately HK\$8,166,000 (2000: HK\$8,854,000) with aged analysis as follows:

	THE GROUP	
	2001	2000
	HK\$'000	<i>HK\$'000</i>
0 – 30 days	6,046	6,117
31 – 60 days	1,365	1,355
61 – 90 days	263	345
More than 90 days	492	1,037
	8,166	8,854

24. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP	
	2001	2000
	HK\$'000	<i>HK\$'000</i>
Obligations under finance leases are repayable as follows:		
Within one year	283	1,627
More than one year, but not exceeding two years	97	343
More than two years, but not exceeding five years	317	399
	697	2,369
Less: Amount due within one year and shown under current liabilities	(283)	(1,627)
Amount due after one year	414	742

25. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank and other borrowings comprise:				
Bank and other loans	1,245,107	1,273,911	756,981	769,690
Bank overdrafts	3,517	8,235	2,070	5,392
	<u>1,248,624</u>	<u>1,282,146</u>	<u>759,051</u>	<u>775,082</u>
Analysed as:				
Secured	1,230,713	1,259,138	758,906	775,082
Unsecured	17,911	23,008	145	–
	<u>1,248,624</u>	<u>1,282,146</u>	<u>759,051</u>	<u>775,082</u>

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
The bank and other borrowings are repayable as follows:				
Within one year or on demand	1,248,624	673,050	759,051	444,524
More than one year, but not exceeding two years	–	290,943	–	134,805
More than two years, but not exceeding five years	–	182,870	–	60,470
Over five years	–	135,283	–	135,283
	<u>1,248,624</u>	<u>1,282,146</u>	<u>759,051</u>	<u>775,082</u>
Less: Amount due within one year or on demand and shown under current liabilities	(1,248,624)	(673,050)	(759,051)	(444,524)
Amount due after one year	<u>–</u>	<u>609,096</u>	<u>–</u>	<u>330,558</u>

Notes to the Financial Statements (continued)

25. BANK AND OTHER BORROWINGS (continued)

During the year, the Group's and the Company's borrowings from certain banks were not repaid according to the schedules set by the banks and, consequently, have become due for immediate repayment, and accordingly, the entire outstanding amounts have been reclassified as current liabilities.

26. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Balance at beginning of the year	500	709	308	503
Credit for the year (note 11)	(500)	(209)	(308)	(195)
Balance at end of the year	<u>–</u>	<u>500</u>	<u>–</u>	<u>308</u>

The deferred taxation at the balance sheet date mainly represents the tax effect of timing differences attributable to the excess of tax allowances over depreciation.

No provision for deferred taxation has been made in the financial statements in respect of the surplus or deficit arising on the revaluation of the properties of the Group situated in Hong Kong as, in the opinion of the Directors of the Company, any profit or loss arising on the disposal of these assets is capital in nature and would not be subject to taxation. Accordingly, the valuation surplus or deficit in respect of these properties does not constitute a timing difference for tax purposes. In addition, no provision for deferred taxation has been made in respect of the surplus or deficit arising on the revaluation of properties outside Hong Kong as the amount involved is not significant.

The Group and the Company did not have any other significant unprovided deferred taxation in respect of timing differences arising during the year or as at the balance sheet date.

27. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
At 1st April, 1999, at HK\$0.50 each	2,000,000,000	1,000,000
Capital reduction (<i>note 1(a)</i>)	(708,957,171)	(354,479)
	<u>1,291,042,829</u>	<u>645,521</u>
Capital reduction (<i>note 1(b)</i>)	–	(580,969)
	<u>1,291,042,829</u>	<u>64,552</u>
Increase during the year ended 31st March, 2000 (<i>note 1(a)</i>)	<u>18,708,957,171</u>	<u>935,448</u>
At 31st March, 2000 and 31st March, 2001, at HK\$0.05 each	<u><u>20,000,000,000</u></u>	<u><u>1,000,000</u></u>
Issued and fully paid:		
At 1st April, 1999, at HK\$0.50 each	1,291,042,829	645,521
Capital reduction (<i>note 1(b)</i>)	–	(580,969)
	<u>1,291,042,829</u>	<u>64,552</u>
Issue of shares during the year ended 31st March, 2000 (<i>note 2</i>)	<u>256,000,000</u>	<u>12,800</u>
At 31st March, 2000 and 31st March, 2001, at HK\$0.05 each	<u><u>1,547,042,829</u></u>	<u><u>77,352</u></u>

Notes:

- (1) Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 30th September, 1999, the following changes in the Company's share capital had taken place:
- (a) The then 708,957,171 unissued shares of HK\$0.50 each, which amounted to approximately HK\$354,479,000, were cancelled and subsequently increased to the original share capital of HK\$1,000,000,000 by the creation of 18,708,957,171 new shares of HK\$0.05 each.

Notes to the Financial Statements (continued)

27. SHARE CAPITAL (continued)

Notes: (continued)

- (b) The par value of each of the then existing 1,291,042,829 issued shares were reduced from HK\$0.50 each to HK\$0.05 each, resulting in a credit of approximately HK\$580,969,000 which was applied to write off part of the Company's deficit; and
 - (c) The share premium of the Company, which had a balance of approximately HK\$478,085,000, was applied to reduce the remaining balance of the deficit of the Company of approximately HK\$45,363,000 as at 31st March, 1999 (note 29).
- (2) Pursuant to two placement agreements both dated 25th November, 1999, 256,000,000 new shares of HK\$0.05 each were issued to independent investors in December 1999 at an issue price of HK\$0.05 per share so as to broaden the shareholder base of the Company. The net proceeds of approximately HK\$12,800,000 were used to provide additional working capital of the Group. These newly issued shares rank pari passu with other shares in issue in all aspects. Details were disclosed in an announcement issued by the Company on 25th November, 1999.

28. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme adopted on 30th September, 1999 (the "Scheme"), the Board of Directors of the Company may, at their discretion, grant options to any eligible employees of the Company or any of its subsidiaries (including Executive Directors and other officers of the Company or its subsidiaries) to subscribe for shares in the Company in accordance with the terms of the Scheme.

The exercise price of the options shall be determined by the Directors of the Company, being not less than 80% of the average closing prices of the shares in the Company for the five trading days immediately preceding the date of offer of the option, or the nominal value of the shares, whichever is higher. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

28. SHARE OPTION SCHEME (continued)

A summary of the movements in the share options granted under the Scheme during the year is as follows:

	Share options with an exercise price of HK\$0.125 per share		HK\$0.223 per share	
	Number	Value HK\$'000	Number	Value HK\$'000
Balance in issue at 1st April, 1999	–	–	–	–
Granted during the year ended 31st March 2000 (<i>note (a)</i>)	128,400,000	19,260	–	–
Adjustment due to change in capital structure during the year ended 31st March 2000 (<i>note (a)</i>)	25,447,213	(29)	–	–
Lapsed during the year ended 31st March 2000	(717,827)	(90)	–	–
Balance in issue at 31st March, 2000	153,129,386	19,141	–	–
Granted during the year (<i>note (b)</i>)	830,000	104	200,000	45
Lapsed during the year	(30,000)	(4)	–	–
Balance in issue at 31st March, 2001	<u>153,929,386</u>	<u>19,241</u>	<u>200,000</u>	<u>45</u>

Notes:

- (a) On 22nd November, 1999, 128,400,000 options were granted at a consideration of HK\$1 for each grantee and can be exercised at a price of HK\$0.150 per share, subject to adjustment, during the period of four and a half years commencing from six months after the respective dates of acceptance. During the year ended 31st March, 2000, the exercise price of the outstanding share options was adjusted to HK\$0.125 per share, subject to adjustment, and the number of outstanding share options was also adjusted as a result of the change in the Company's capital structure during the year ended 31st March, 2000 pursuant to the terms of the share option scheme.
- (b) On 19th October, 2000 and 5th August, 2000, 830,000 and 200,000 share options, respectively, were granted at a consideration of HK\$1 for each grantee and can be exercised at any time during the period of four and a half years, commencing six months after their respective dates of acceptance at an exercise price of HK\$0.125 per share and HK\$0.223 per share, respectively, subject to adjustment.

Notes to the Financial Statements (continued)

29. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Deficit HK\$'000	Total HK\$'000
THE GROUP							
At 1st April, 1999	478,085	3,800	49,991	997,471	(16,184)	(909,244)	603,919
Exchange differences arising from translation of overseas operations	-	-	-	-	17,944	-	17,944
Capital reduction (note 27)	(45,363)	-	-	-	-	626,332	580,969
Realised on disposal of subsidiaries	-	-	-	-	783	-	783
Deficit on revaluation	-	-	-	(278,583)	-	-	(278,583)
Net loss for the year	-	-	-	-	-	(161,474)	(161,474)
At 31st March, 2000	432,722	3,800	49,991	718,888	2,543	(444,386)	763,558
Exchange differences arising from translation of overseas operations	-	-	-	-	(20,716)	-	(20,716)
Deficit on revaluation	-	-	-	(238,507)	-	-	(238,507)
Surplus on revaluation	-	-	-	119	-	-	119
Realised on disposal of subsidiaries	-	-	(3)	-	9,810	-	9,807
Realised on disposal of a property	-	-	-	(1,684)	-	1,684	-
Net loss for the year	-	-	-	-	-	(239,054)	(239,054)
At 31st March, 2001	<u>432,722</u>	<u>3,800</u>	<u>49,988</u>	<u>478,816</u>	<u>(8,363)</u>	<u>(681,756)</u>	<u>275,207</u>
Attributable to:							
- the Company and subsidiaries	432,722	3,800	49,988	478,816	(8,557)	(685,939)	270,830
- associates	-	-	-	-	-	7,900	7,900
- jointly controlled entities	-	-	-	-	194	(3,717)	(3,523)
	<u>432,722</u>	<u>3,800</u>	<u>49,988</u>	<u>478,816</u>	<u>(8,363)</u>	<u>(681,756)</u>	<u>275,207</u>

29. RESERVES (continued)

	Share premium	Capital redemption reserve	Contributed surplus	(Deficit) retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE COMPANY					
At 1st April, 1999	478,085	3,800	64,314	(626,332)	(80,133)
Capital reduction (<i>note 27</i>)	(45,363)	–	–	626,332	580,969
Net profit for the year (<i>note 12</i>)	–	–	–	60,900	60,900
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2000	432,722	3,800	64,314	60,900	561,736
Net loss for the year (<i>note 12</i>)	–	–	–	(398,814)	(398,814)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2001	<u>432,722</u>	<u>3,800</u>	<u>64,314</u>	<u>(337,914)</u>	<u>162,922</u>

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of subsidiaries when they were acquired by the Company and the nominal amount of the Company's share capital issued for the acquisition.

In accordance with the provision of the Company's Articles of Association, the reserve available for distribution to shareholders of the Company as at 31st March, 2000 was its retained profits of approximately HK\$60,900,000. There were no reserve available for distribution to shareholders of the Company as at 31st March, 2001.

Notes to the Financial Statements (continued)

30. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001	2000
	HK\$'000	HK\$'000
Loss before taxation	(238,275)	(160,669)
Interest expenses	121,902	124,879
Depreciation and amortisation	49,588	58,534
Amortisation of goodwill	–	14,992
Net realised gain on other investments	(51,088)	(62,694)
Provision for bad and doubtful debts	59,260	13,413
Share of results of associates and jointly controlled entities	(362)	4,694
Deficit arising on revaluation of investment properties	28,990	–
Deficit arising on revaluation of cold storage warehouses and other land and buildings	30,933	–
Loss on disposal of property, plant and equipment	5,985	297
Loss (gain) on disposal of subsidiaries	10,847	(59,043)
Unrealised gain on other investments	(11,197)	(5,411)
Surplus arising on revaluation of other land and buildings	–	(2,642)
Gain on disposal of investment properties	–	(29)
Provision for diminution in value of associates and jointly controlled entities	–	77,404
Write down of investment in convertible notes to net realisable value and provision for accrued interest	–	4,487
Provision for impairment losses of goodwill	85	30,134
Surplus arising on revaluation of investment properties	–	(17,357)
Decrease in inventories	1,764	11,003
Decrease in trade and other receivables	19,192	15,553
Decrease in amounts due from I-China Group	6,166	42,816
Increase in bank and cash balances (note)	–	(6,381)
Increase in trade and other payables	4,757	14,270
Decrease in amount due to I-China Group	(3,063)	(6,721)
Increase in amount due to a jointly controlled entity	940	–
Decrease in bills payable	–	(391)
Net cash inflow from operating activities	<u>36,424</u>	<u>91,138</u>

Note: The amount represented trust monies held on behalf of securities and futures broking customers.

31. DISPOSAL OF SUBSIDIARIES

	2001	2000
	HK\$'000	HK\$'000
Net assets disposed of:		
Property, plant and equipment	6,440	280
Interests in an associate	41,175	–
Trade and other receivables	586	44,698
Other investments	–	11,367
Inventories	–	14
Amounts due from group companies	345	61,856
Taxation recoverable	–	3,418
Trust monies	–	46,343
Bank and cash balances	3	4,011
Trade and other payables	(6,613)	(106,302)
Amounts due to group companies	(13,154)	–
Amount due to I-China Group	(771)	–
Taxation payable	–	(254)
Bank overdraft	–	(23,766)
Minority interests	–	(2,165)
	28,011	39,500
Translation reserve realised on disposal	9,810	783
Capital reserve realised on disposal	(3)	–
(Loss) gain on disposal of subsidiaries	(10,847)	59,043
	26,971	99,326
Satisfied by:		
Cash consideration received	26,971	72,055
Other investments	–	27,271
Total consideration	26,971	99,326

Notes to the Financial Statements (continued)

31. DISPOSAL OF SUBSIDIARIES (continued)

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2001 HK\$'000	2000 HK\$'000
Cash consideration received	26,971	72,055
Bank and cash balances disposed of	(3)	(4,011)
Bank overdraft disposed of	–	23,766
	26,968	91,810

The subsidiaries disposed of during the year did not make a material contribution to the net cash flows or results of the Group for the year.

32. ACQUISITION OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Property, plant and equipment	20	–
Trade and other receivables	36	–
Amount due from I-China Group	270	–
Taxation recoverable	1	–
Bank and cash balances	10	–
Other payable	(14)	–
Amounts due to group companies	(103)	–
	220	–
Goodwill	85	–
	305	–
Satisfied by:		
Increase in amount due to I-China Group	305	–

32. ACQUISITION OF SUBSIDIARIES (continued)

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	2001 HK\$'000	2000 <i>HK\$'000</i>
Bank and cash balances acquired	10	–

The subsidiaries acquired during the year did not have significant impact on the Group's cash flows, turnover and operating results of the Group for the year.

33. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital <i>HK\$'000</i>	Bank borrowings <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>
At 1st April, 1999	645,521	1,100,802	5,345
Exchange adjustments	–	(593)	(32)
Capital reduction	(580,969)	–	–
Issue of shares	12,800	–	–
Inception of finance leases	–	–	192
Borrowings raised	–	150,000	–
Repayments during the year	–	(131,469)	(3,136)
At 31st March, 2000	77,352	1,118,740	2,369
Exchange adjustments	–	(6,392)	(328)
Inception of finance leases	–	–	705
Repayments during the year	–	(14,693)	(2,049)
At 31st March, 2001	77,352	1,097,655	697

34. NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases in respect of the acquisition of property, plant and equipment with an aggregate capital value of approximately HK\$705,000 (2000: HK\$192,000) at the inception of the leases.

35. RETIREMENT BENEFIT SCHEMES

- (a) The Company together with certain subsidiaries operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately under a provident fund managed by an independent trustee. Pursuant to the rules of the scheme, the employer is required to make contributions to the scheme calculated at the range of 5% to 10% of the employees' basic salaries on a monthly basis. The employees are entitled to 100% of the employer's contributions and the accrued interest after ten complete years service, or at an increasing scale of between 30% to 90% after completion of three to nine years service.

Where there are employees who leave the scheme prior to vesting fully in the contributions in accordance with the terms of the scheme, the contributions payable by the Group are reduced by the amount of forfeited employer's contributions.

As at the balance sheet date, there were no significant forfeited contributions, which arose when employees left the retirement benefit scheme before they were fully vested in the contributions and which were available to reduce the contributions payable by the Group in future years.

- (b) With effect from 1st December, 2000, the Group has also joined a MPF Scheme for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme.

The MPF Scheme is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's relevant income. The maximum relevant income for contribution purpose is HK\$20,000 per month. Staff members are entitled to 100% of the Group's contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

35. RETIREMENT BENEFIT SCHEMES (continued)

Staff who joins the Group after the operation of the MPF Scheme automatically joins this Scheme. The Group also makes contributions for all qualified staff covered by the retirement benefit scheme to both the MPF Scheme and the retirement benefit scheme. The aggregate contributions for these staff are limited to the benefits that would be enjoyed by them under the retirement benefit scheme.

36. CAPITAL COMMITMENTS

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	94	–
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	–	3,900
	94	3,900

The Company did not have any significant capital commitments as at the balance sheet date.

Notes to the Financial Statements (continued)

37. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had outstanding commitments under non-cancellable operating leases. The portion of these commitments which is payable in the following year is as follows:

	THE GROUP			THE COMPANY		
	2001 Others HK\$'000	2000 Premises Others HK\$'000		Total HK\$'000	2001 Premises HK\$'000	2000 Premises HK\$'000
Operating leases which expire:						
Within one year	-	1,145	335	1,480	-	1,145
In the second to fifth years inclusive	177	-	224	224	-	-
	<u>177</u>	<u>1,145</u>	<u>559</u>	<u>1,704</u>	<u>-</u>	<u>1,145</u>

38. CONTINGENT LIABILITIES

	THE COMPANY			
	2001 Facilities granted Amount utilised HK\$'000		2000 Facilities granted Amount utilised HK\$'000	
Guarantees given to financial institutions in respect of credit facilities granted to subsidiaries	<u>556,577</u>	<u>483,932</u>	<u>562,829</u>	<u>498,409</u>

39. PLEDGE OF ASSETS

At the balance sheet date, the following assets of the Group are pledged to secure credit facilities granted to the Group:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Other property, plant and equipment	1,208,841	1,535,310
Investment properties	188,700	229,000
Other investments	25,665	33,221
Bank deposits	17,378	17,331
	<u>1,440,584</u>	<u>1,814,862</u>

At 31st March, 2001, the Company had pledged its share in a subsidiary holding investment properties amounting to approximately HK\$135,210,000 (2000: HK\$123,900,000) in the People's Republic of China (the "PRC") to a bank for general banking facilities granted to the Group.

Notes to the Financial Statements (continued)

40. RELATED PARTY TRANSACTIONS

Details of significant related party transactions during the year disclosed pursuant to Statement of Standard Accounting Practice 20 "Related party disclosures" issued by the Hong Kong Society of Accountants are as follows:

(a)	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Interest income on Convertible Notes from I-China Group	–	2,536	–	2,536
Interest income other than those on Convertible Notes from I-China Group	396	3,076	–	232
Interest expense to I-China Group	263	83	263	83
Management fee to I-China Group	2,336	4,652	2,336	4,652
Rental expenses to I-China Group	2,213	3,285	2,213	3,400
Secretarial fee to I-China Group	–	183	–	30
Purchase of property, plant and equipment from I-China Group	145	–	145	–

Interest income and expense were calculated in accordance with the terms of the Convertible Note or with reference to prevailing market rates. Management fee and secretarial fee were based on time spent and cost incurred. Rental expenses were determined based on market rates and floor area. Purchase of property, plant and equipment and subsidiaries was carried out at terms determined and agreed by both parties.

- (b) During the year, the Group purchased three subsidiaries from the I-China Group at aggregate consideration of HK\$305,000.
- (c) The Group's bank borrowings amounting to approximately HK\$38,660,000 (2000: HK\$38,740,000) were guaranteed by I-China.

40. RELATED PARTY TRANSACTIONS (continued)

- (d) During the year ended 31st March, 2000, the Group paid service fees amounting to approximately HK\$515,000 to Joyful Plan Development Limited ("Joyful") in connection with the provision of transportation services to the Group. Mr. Michael Ho Hoi Yu, a former Vice Chairman of the Company, has significant beneficial interest in Joyful. The service fees was negotiated by reference to prices of similar transactions.

Save as disclosed above and in note 22, there were no other significant transactions with related parties during the year or significant balances with them at the end of the year.

Details of the balances with related parties are set out in the consolidated balance sheet on pages 27 and 28 and its accompanying notes.

41. LITIGATIONS

On 14th April, 2000, the Company entered into a written agreement of US\$628,000 (equivalent to approximately HK\$4,898,000) with an independent third party (the "Third Party") as amended by an amendment agreement on 9th November, 2000 (the agreement as amended by the amendment agreement, is called the "Agreement") whereby the Third Party agreed, inter alia, to design and implement e-commerce solutions. On 29th May, 2000, the Company entered into a master lease agreement as amended on 23rd June, 2000 (the agreement as amended, the "Master Lease Agreement") with the Third Party and subsequently two lease agreements totalling US\$460,000 (equivalent to approximately HK\$3,588,000) under the Master Lease Agreement were entered with the Third Party.

During the year, the Third Party delivered certain incomplete solutions under the Agreement to the Company which were found to be not up to the requirements set out in the Agreement.

The Directors of the Company have become concerned about the deficiency of the part of items and services delivered and ceased to make instalments to the Third Party. In addition, the Directors of the Company are of the opinion that the Third Party has failed and/or refused to comply with the Agreement, accordingly, the Company issued writ of summons to the Third Party on 15th March, 2001, claiming for damages, interests and costs on the system.

Notes to the Financial Statements (continued)

41. LITIGATIONS (continued)

On 17th May, 2001, the Third Party denied the claims and filed a defence and counterclaim against the Company, demanding immediate repayment of the remaining sum under the lease agreements together with damages of approximately US\$557,000 (equivalent to approximately HK\$4,345,000) and interests accrued thereon. The Company filed and served a reply and defence to counterclaim on 12th July, 2001.

The Directors intend to pursue the claim strongly and, while the final outcome of the proceedings is uncertain up to the date of this report, it is the Directors' belief that there would not be any liability incurred for this case and accordingly, no provision has been made in the financial statements for the year ended 31st March, 2001.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31st March, 2001 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share	Percentage of issued share capital		Principal activities
			held by the Company*/ subsidiaries %	attributable to the Group %	
Australian Service Cold Storage (NSW) Pty Ltd	Australia	A\$2,500,002 shares	100	100	Cold storage warehousing
Billion Limited	British Virgin Islands/PRC	US\$1 share	100*	100	Investment holding
Fu Shing Realty Development Company Limited	Hong Kong	HK\$1,000,000 shares	100*	100	Property holding
Gainful Company Limited	British Virgin Islands/ Hong Kong	US\$1 share	100*	100	Property holding

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share	Percentage of issued share capital		Principal activities
			held by the Company*/ subsidiaries %	attributable to the Group %	
Gold Enterprise Holdings Limited	Hong Kong	HK\$2 shares	100*	100	Property holding
Grand United Holdings Limited	Hong Kong	HK\$2 shares	100*	100	Property holding
iPowerB2B.com Limited	Hong Kong	HK\$2 shares	100	100	Investment holding
iPower Holdings Limited	British Virgin Islands/ Hong Kong	US\$45,000 shares	100	100	Investment holding
iPower Website Limited	British Virgin Islands/ Hong Kong	US\$1 share	100	100	Domain names holding
iPower Warehousing Management System Limited	British Virgin Islands/ Hong Kong	US\$1 share	100	100	Warehousing management system holding
iPower Logistics Management System Limited	British Virgin Islands/ Hong Kong	US\$1 share	100	100	Logistics management system holding

Notes to the Financial Statements (continued)

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share	Percentage of issued share capital		Principal activities
			held by the Company*/ subsidiaries %	attributable to the Group %	
iPower Alliances Limited	British Virgin Islands/ Hong Kong	US\$1 share	100	100	Cold storage alliances contracts holding
iPower Services Limited	British Virgin Islands/ Hong Kong	US\$1 share	100	100	Marketing services
Jolly Target Limited	Hong Kong	HK\$1,000 shares	100*	100	Property holding
Manfair Holdings Limited	Hong Kong	HK\$2 shares	100*	100	Property holding
New Success Investments Limited	British Virgin Islands/ Hong Kong	US\$1 share	100	100	Investment
Ocean World Holdings Limited	Hong Kong	HK\$2 shares	100*	100	Property holding
Pearlway Holdings Limited	Hong Kong	HK\$2 shares	100*	100	Property holding
Pentagon Profits Limited	British Virgin Islands/PRC	US\$1 share	100*	100	Property holding

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share	Percentage of issued share capital		Principal activities
			held by the Company*/ subsidiaries %	attributable to the Group %	
Seapower China Investments Limited	Hong Kong/ PRC	HK\$2 shares	100	100	PRC representative offices holding
Seapower Corporate Finance (China) Company Limited	Hong Kong	HK\$2 shares	100	100	Property holding
Seapower Developments (Indonesia) Limited	British Virgin Islands/ Indonesia	US\$1 share	100*	100	Land development
Seapower Finance Limited	Hong Kong	HK\$171,000,000 shares	100	100	Money lending
Seapower Financial Services Group Limited	Hong Kong	HK\$100,000 shares	98	98	Investment holding
Seapower Goodland Holding Limited	Hong Kong/ PRC	HK\$1,000 shares	65	65	Cold storage warehousing and logistics management
Seapower Logistics Limited	Hong Kong	HK\$30,000 shares	100	100	Logistics management
Seapower Resources Australia Pty Ltd	Australia	A\$7,000,002 shares	100	100	Investment holding

Notes to the Financial Statements (continued)

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share	Percentage of issued share capital		Principal activities
			held by the Company*/ subsidiaries %	attributable to the Group %	
Seapower Resources Cold Storage & Warehousing Limited	Hong Kong	HK\$2 shares	100*	100	Cold storage warehousing and ice-making
Seapower Resources Freight Forwarding Limited	Hong Kong	HK\$1,000,000 shares	100	100	Logistics and freight forwarding
Seapower Resources Gosford Pty Ltd	Australia	A\$4,200,002 shares	100	100	Cold storage warehousing
Seapower Resources Management Company Limited	Hong Kong	HK\$500,000 shares	100	100	Warehousing facilities management
Seapower Resources Overseas Finance Limited	Cayman Islands/ Hong Kong	US\$1,000 shares	100*	100	Group financing
Shing Wai Holdings Limited	Hong Kong	HK\$2 shares	100*	100	Property holding
Siu Wai Holdings Limited	Hong Kong	HK\$2 shares	100*	100	Property holding
South East Asia Overseas Finance Limited	British Virgin Islands/ Hong Kong	US\$25,000 shares	100*	100	Group financing

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share	Percentage of issued share capital		Principal activities
			held by the Company*/ subsidiaries %	attributable to the Group %	
Topcrown Investments Limited	Hong Kong/ PRC	HK\$10,000 shares	100	100	Property holding
Topy Luck Limited	British Virgin Islands/ Hong Kong	US\$1 share	100*	100	Property holding
Wandy Holdings Limited	Hong Kong	HK\$2 shares	100*	100	Property holding
Winbond Holdings Limited	Hong Kong	HK\$2 shares	100*	100	Property holding
Yiu Fai Warehousing Limited	Hong Kong	HK\$100,000 shares	100*	100	Cold storage warehousing
Yiu Fung Cold Storage & Warehousing Limited	Hong Kong	HK\$2 shares	100*	100	Cold storage warehousing

The above tables list the subsidiaries of the Company and of the Group which, in the opinion of the Directors of the Company, 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, associates and jointly controlled entities would, in the opinion of the Directors of the Company, result in particulars of excessive length.