

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

1. GENERAL

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

The Company is an investment holding company and provides corporate management services.

The activities of the Company’s principal subsidiaries at 31st March, 2002 are set out in note 49.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. These revised and new accounting policies are set out in note 4. In addition, these new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosure for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts and disclosure reported for the current or prior periods.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment reporting”. Segment disclosures for the year ended 31st March, 2001 have been amended so that they are presented on a consistent basis.

Leases

SSAP 14 (Revised) “Leases” has introduced some amendments to the basis of accounting for finance and operating leases, and some additional and revised disclosure requirements specified for the Group’s leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and accordingly, no prior year adjustment had been required. Disclosures for all of the Group’s leasing arrangements have been modified so as to comply with the requirements of the revised standard. Comparative amounts and disclosure have been restated in order to achieve a consistent presentation.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(continued)*

Goodwill

In the current year, the Group adopted SSAP 30 “Business combinations” and has elected not to restate goodwill or negative goodwill previously eliminated against or credited to reserves. Accordingly, goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to the income statement at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life on a straight line basis. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted.

3. PRIOR YEAR ADJUSTMENT

During the year, the directors of the Company have reviewed and examined the operations of the subsidiaries and an associate and their profitability potential and are of the opinion that the carrying amount of goodwill arising on the acquisition of an associate during the year ended 31st March, 2001 that had previously been eliminated to reserves is not recoverable. In accordance with Interpretation 13 “Goodwill—continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves”, the Group has restated and increased its previously reported net loss for the year ended 31st March, 2001 and accumulated losses as at 31st March, 2001 by HK\$48,674,000 for the impairment loss recognised in respect of goodwill arising from the acquisition of the associate during the year ended 31st March, 2001.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

The results of subsidiaries and associates 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 inter-company transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill or goodwill previously eliminated against is included in the determination of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Negative goodwill

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

Negative goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be credited to the income statement at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisition of a subsidiary after 1st April, 2001 is presented as deduction from assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted. Negative goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet as a deduction from assets.

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

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

Investments in subsidiaries

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

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

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

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

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

Property, plant and equipment

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

The cost of land use rights is amortised over the terms of the relevant rights using the straight line method.

The cost of buildings is amortised over a period of twenty years using the straight line method.

The cost of fixtures is depreciated at 15% per annum using the straight line method or over the terms of the relevant lease, whichever is shorter.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation is provided to write off the cost of items of other assets over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Computer equipment	33 ¹ / ₃ %
Others	15%

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

The gain or loss arising on 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 income statement.

Properties held for resale

Properties held for resale are stated at the lower of cost and net realisable value. Cost consists of all expenditure directly attributable to the acquisition and development of the properties plus other direct costs attributable to such properties.

Investments in securities

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

Investments other than held-to-maturity 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 are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of finance charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rental income and expenses are credited and charged, respectively, to the income statement on a straight line basis over the terms of the relevant lease.

Revenue recognition

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

For properties which are held for resale, revenue is recognised on the execution of a binding sales agreement.

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

Rental income, including rental invoiced in advance, from properties let under operating leases is recognised on a straight line basis over the terms of the relevant lease.

Sales of investment in securities are recognised on a trade date basis.

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

Revenue from advertising is recognised rateably in the period in which the advertisement is displayed.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

Impairment

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

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

Retirement benefits schemes

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the year to the Group's defined contribution scheme and Mandatory Provident Fund Scheme ("MPF").

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 or at the contracted settlement rate, if appropriate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of operations which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with in reserves.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences 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. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

5. TURNOVER

Turnover represents the net amounts received and receivable from sales of goods, sales of securities, sales of properties, interest income from provision of finance and note receivables, property rentals and advertising income during the year, and is analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Continuing operations		
Sales of securities	66,259	12,139
Sale of properties	9,600	–
Interest income from provision of finance and note receivables	11,650	7,498
Property rentals	2,119	2,123
Advertising income	–	710
	<hr/>	<hr/>
Discontinued operations	89,628	22,470
Sales of Western and Chinese pharmaceutical and health products and foodstuffs (note 13)	151,055	300,006
	<hr/>	<hr/>
	<u>240,683</u>	<u>322,476</u>

6. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

During the year, the Group was organised into five main operating segments: manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs, provision of finance, trading and investment in securities, property holding and investment and investment holding.

As explained in note 13, the Group ceased its manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs operations during the year.

These divisions are the basis on which the Group reports its primary segment information.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION *(continued)*

Segment information about these businesses is presented below:

Business segments

	For the year ended 31st March, 2002					Consolidated HK\$'000
	Manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs HK\$'000	Provision of finance HK\$'000	Trading and investment in securities HK\$'000	Property holding and investment HK\$'000	Investment activities* HK\$'000	
SEGMENT REVENUE	<u>151,055</u>	<u>6,533</u>	<u>66,259</u>	<u>11,719</u>	<u>5,117</u>	<u>240,683</u>
SEGMENT RESULTS	<u>(12,418)</u>	<u>5,869</u>	<u>(9,504)</u>	<u>(11,105)</u>	<u>(34,272)</u>	(61,430)
Unallocated corporate expenses						<u>(11,409)</u>
Loss from operations						(72,839)
Finance costs						(2,122)
Investment income						653
Gain on disposal of discontinued operations						24,525
Loss on assignment of loan to a subsidiary						<u>(4,711)</u>
Loss before taxation						(54,494)
Taxation						<u>(190)</u>
Loss before minority interests						(54,684)
Minority interests						<u>(7,009)</u>
Net loss for the year						<u><u>(47,675)</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	At 31st March, 2002					Consolidated HK\$'000
	Manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs HK\$'000	Provision of finance HK\$'000	Trading and investment in securities HK\$'000	Property holding and investment HK\$'000	Investment activities* HK\$'000	
ASSETS						
Segment assets	87,909	212,644	2,125	64,125	77,624	444,427
Investments in securities	–	–	–	–	58,000	58,000
Unallocated corporate assets						4,014
Consolidated total assets						<u>506,441</u>
LIABILITIES						
Segment liabilities	–	(68)	(5)	(1,623)	(22)	(1,718)
Unallocated corporate liabilities						(607)
						<u>(2,325)</u>

For the year ended 31st March, 2002

	For the year ended 31st March, 2002					Consolidated HK\$'000
	Manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs HK\$'000	Provision of finance HK\$'000	Trading and investment in securities HK\$'000	Property holding and investment HK\$'000	Investment activities* HK\$'000	
OTHER INFORMATION						
Capital additions	26,843	–	–	735	129	27,707
Depreciation and amortisation	3,999	–	–	91	629	4,719
Impairment loss recognised in respect of properties held for resale	–	–	–	10,000	–	10,000
Impairment loss recognised in respect of investment securities	–	–	–	–	37,000	37,000
Deficit arising on valuation of investment properties	–	–	–	1,680	–	1,680

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	For the year ended 31st March, 2001					Consolidated HK\$'000
	Manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs HK\$'000	Provision of finance HK\$'000	Trading and investment in securities HK\$'000	Property holding and investment HK\$'000	Investment activities* HK\$'000	
SEGMENT REVENUE	<u>300,006</u>	<u>4,830</u>	<u>12,139</u>	<u>2,123</u>	<u>3,378</u>	<u>322,476</u>
SEGMENT RESULTS	<u>(61,634)</u>	<u>20,695</u>	<u>(16,905)</u>	<u>(43,831)</u>	<u>(11,072)</u>	(112,747)
Unallocated corporate expenses						<u>(16,816)</u>
Loss from operations						(129,563)
Finance costs						(2,936)
Investment income						8,183
Net gain on disposal of interests in subsidiaries						53,573
Gain on transfer of certain property interests to a jointly controlled entity						10,696
Gain on disposal of interest in a jointly controlled entity						10,674
Impairment loss recognised in respect of goodwill arising from the acquisition of an associate						(48,674)
Share of results of a jointly controlled entity						<u>(209)</u>
Loss before taxation						(98,256)
Taxation						<u>(47)</u>
Loss before minority interests						(98,303)
Minority interests						<u>(14,156)</u>
Net loss for the year						<u>(84,147)</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	At 31st March, 2001					
	Manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs HK\$'000	Provision of finance HK\$'000	Trading and investment in securities HK\$'000	Property holding and investment HK\$'000	Investment activities* HK\$'000	Consolidated HK\$'000
ASSETS						
Segment assets	220,453	4,415	24,720	57,829	127,492	434,909
Interest in an associate	–	–	–	–	1,763	1,763
Unallocated corporate assets						9,217
Consolidated total assets						<u>445,889</u>
LIABILITIES						
Segment liabilities	(54,638)	–	(5)	(9,515)	(15)	(64,173)
Unallocated corporate liabilities						(16,451)
						<u>(80,624)</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	For the year ended 31st March, 2001					
	Manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs HK\$'000	Provision of finance HK\$'000	Trading and investment in securities HK\$'000	Property holding and investment HK\$'000	Investment activities* HK\$'000	Consolidated HK\$'000
OTHER INFORMATION						
Capital additions	20,028	–	–	27	1,937	21,992
Depreciation and amortisation	12,285	–	–	1	194	12,480
Impairment losses recognised in respect of properties held for resale	–	–	–	40,900	–	40,900
Deficit arising on valuation of investment properties	–	–	–	180	–	180
Impairment loss recognised in respect of goodwill arising from the acquisition of an associate	–	–	–	–	48,674	48,674

* These activities comprise mainly of investment in internet operations, investment in application software business, investment securities and note receivables.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION *(continued)*

Geographical segments

The Group's operations are mainly located in Hong Kong and the People's Republic of China, other than Hong Kong (the "PRC").

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods and services:

	Sales revenue by geographical market		Loss from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	202,555	246,336	(58,649)	(109,117)
The PRC	21,995	40,024	(12,756)	(4,144)
Asia Pacific (excluding Hong Kong and the PRC)	5,538	18,383	(1,334)	(16,455)
Others	10,595	17,733	(100)	153
	<u>240,683</u>	<u>322,476</u>	<u>(72,839)</u>	<u>(129,563)</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	442,908	354,272	20,119	17,373
The PRC	63,533	77,411	7,251	3,765
Asia Pacific (excluding Hong Kong and the PRC)	–	6,370	321	454
Others	–	7,836	16	400
	<u>506,441</u>	<u>445,889</u>	<u>27,707</u>	<u>21,992</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

7. OTHER OPERATING INCOME

	2002 HK\$'000	2001 HK\$'000
Included in other operating income are:		
Unrealised gain on other investments	–	4,266
Gain on disposal of investment properties	–	975
	<u>–</u>	<u>5,241</u>

8. OTHER OPERATING EXPENSES

	2002 HK\$'000	2001 HK\$'000
Included in other operating expenses are:		
Impairment loss recognised in respect of investment securities	(37,000)	–
Impairment losses recognised in respect of properties held for resale	(10,000)	(40,900)
Cost for closure of retail outlets	(6,184)	(8,643)
(Allowances for) write back of allowances for amounts due from associates – net	(1,780)	1,483
Deficit arising on valuation of investment properties	(1,680)	(180)
Write back provision for litigation	4,325	–
Forfeiture of deposit made on acquisition of a property	–	(4,149)
Loss on disposal of listed investment securities	–	(4,010)
Allowances for bad and doubtful debts	–	(422)
Loss on disposal of properties under development	–	(47)
Write back of allowances for loan debtors	–	16,000
Write back of allowances for guarantees given in connection with a disposed subsidiary	–	1,776
	<u>–</u>	<u>1,776</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

9. LOSS FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs, including directors' emoluments (note 10(a)):		
Salaries and allowances	42,453	87,858
Retirement benefits scheme and MPF contributions, net of forfeited contributions of HK\$377,000 (2001: HK\$254,000)	<u>1,877</u>	<u>2,522</u>
	<u>44,330</u>	<u>90,380</u>
Auditors' remuneration:		
Current year	868	1,048
Underprovision in a prior year	<u>277</u>	<u>320</u>
	<u>1,145</u>	<u>1,368</u>
Depreciation and amortisation:		
Assets owned by the Group	4,691	12,426
Assets held under finance leases	28	54
Loss on disposal of property, plant and equipment	160	8,684
Loss on disposal of properties held for resale	114	–
and after crediting:		
Property rental income, net of outgoings of HK\$741,000 (2001: HK\$1,075,000)	<u><u>1,378</u></u>	<u><u>1,048</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

10. EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the directors and the five highest paid individuals are as follows:

(a) Directors' emoluments

	2002 HK\$'000	2001 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	240	258
	<u>240</u>	<u>258</u>
Other emoluments:		
Executive directors		
Salaries and other benefits	5,070	3,986
Retirement benefits scheme and MPF contributions	189	169
Inducement to join the Group	–	450
Independent non-executive directors	–	–
	<u>5,259</u>	<u>4,605</u>
	<u><u>5,499</u></u>	<u><u>4,863</u></u>

The emoluments of the directors are within the following bands:

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	5	14
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

10. EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS *(continued)*

(b) Emoluments of the five highest paid individuals

The emoluments of the five highest paid individuals of the Group for the year included four directors (2001: three directors) of the Company, whose emoluments are included in note 10(a) above. The aggregate emoluments of the remaining individual (2001: two individuals) are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	798	1,510
Retirement benefits scheme and MPF contributions	<u>23</u>	<u>79</u>
	<u><u>821</u></u>	<u><u>1,589</u></u>

The emoluments of the above employees are within the following bands:

	Number of employees	
	2002	2001
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	<u>-</u>	<u>1</u>

Save as disclosed above, during the years ended 31st March, 2002 and 2001, 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, 2002 and 2001, no directors waived any emoluments.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

11. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest payable on:		
Bank and other borrowings wholly repayable within five years	2,107	1,320
Obligations under finance leases	15	26
Convertible notes	–	1,299
Bank and other borrowings not wholly repayable within five years	–	928
	<u>2,122</u>	<u>3,573</u>
Total borrowing costs	2,122	3,573
Less: Amount capitalised in respect of properties under development	–	(637)
	<u>2,122</u>	<u>2,936</u>

12. INVESTMENT INCOME

	2002 HK\$'000	2001 HK\$'000
Included in investment income are:		
Interest income from:		
Banks	645	4,197
Others	8	3,910
Dividend income from listed investments	–	76
	<u>653</u>	<u>8,183</u>

13. DISCONTINUED OPERATIONS

During the year, the Company disposed of the remaining 51% equity interest in Tung Fong Hung Investment Limited (“TFHI”) at a consideration of HK\$45,900,000. TFHI is a former intermediate holding company of the Company’s subsidiaries which are principally engaged in the business of manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs. The transaction was completed on 2nd November, 2001.

In addition, as explained in note 27 (a), the Group entered into two termination agreements with two third parties to terminate the acquisition of a subsidiary in the PRC which is principally engaged in the manufacture, process, sale and export of traditional Chinese Medicine in the PRC. As a result, the directors of the Company decided to cease the business of manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

13. DISCONTINUED OPERATIONS *(continued)*

The profit on disposal of TFHI amounted to HK\$24,525,000, representing the difference between the proceeds of the sale and the carrying amount of the net assets of TFHI together with the attributable translation reserve and negative goodwill which have previously been eliminated against reserves and has not previously been charged or credited to the income statement.

The carrying amounts of the assets and liabilities and the cash effects of the disposal of TFHI are set out in note 40.

The consolidated results of TFHI and its subsidiaries for the period up to 2nd November, 2001, the date of discontinuance, which have been included in the consolidated income statement of the Group, were as follows:

	1.4.2001 to 2.11.2001 HK\$'000	1.4.2000 to 31.3.2001 HK\$'000
Turnover	<u>151,055</u>	<u>300,006</u>
Loss from operations	<u>(12,418)</u>	<u>(61,634)</u>

14. TAXATION

	2002 HK\$'000	2001 HK\$'000
The income tax expense comprises:		
Taxation of the Company and its subsidiaries		
Hong Kong Profits Tax	–	27
Overseas taxation	<u>210</u>	–
	210	27
Deferred taxation (note 33)	<u>(20)</u>	<u>20</u>
	<u>190</u>	<u>47</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

14. TAXATION *(continued)*

No provision for Hong Kong Profits Tax has been made for the year ended 31st March, 2002 as neither the Company nor its subsidiaries had any assessable profit for the year.

Hong Kong Profits Tax for the year ended 31st March, 2001 calculated at the rate of 16% on the estimated assessable profit of that year.

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

Details of deferred taxation are set out in note 33.

15. DIVIDEND

No dividend was proposed or paid by the Company during the year (2001: nil).

16. LOSS PER SHARE

The calculation of the loss per share for the year is based on the net loss for the year of HK\$47,675,000 (2001: HK\$84,147,000, as restated) and on the weighted average number of 2,197,101,754 (2001: 787,944,808, as adjusted) ordinary shares in issue adjusted for the effect of a change in accounting policy (note 3) and of the Company's Rights Issue as described in note 34(b)(iii).

The adjustment to comparative loss per share is as follows:

	HK\$
Reconciliation of 2001 loss per share:	
Reported figure before adjustment	0.05
Adjustment arising from the change in accounting policy in respect of the impairment loss recognised in respect of goodwill arising from the acquisition of an associate and the Company's Rights Issue	0.06
	<hr/>
Restated	<u>0.11</u>

No diluted loss per share is presented for the years ended 31st March, 2002 and 2001 as the exercise and conversion of the share options and warrants would result in a decrease in the loss per share for both years.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

17. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
VALUATION	
At 1st April, 2001	7,680
Deficit arising on valuation of investment properties	<u>(1,680)</u>
At 31st March, 2002	<u><u>6,000</u></u>

The Group's investment properties, which are rented out or to be rented out under operating leases, are held under long-term land use rights in the PRC.

The Group's investment properties were revalued at 31st March, 2002 by RHL Appraisal Ltd., an independent firm of professional property valuer, on an open market value basis at HK\$6,000,000. The deficit arising on revaluation of HK\$1,680,000 was charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

18. PROPERTY, PLANT AND EQUIPMENT

	The Group				The Company	
	Land and buildings	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total	Motor vehicles
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST						
At 1st April, 2001	2,880	46,346	8,984	3,097	61,307	365
Currency realignment	-	(14)	(41)	(3)	(58)	-
Acquisition of a subsidiary	-	-	-	630	630	-
Other additions	-	27,313	234	160	27,707	69
Disposal of subsidiaries	(2,880)	(69,976)	(7,756)	(2,640)	(83,252)	-
Other disposals	-	(2,339)	(986)	(181)	(3,506)	-
At 31st March, 2002	-	1,330	435	1,063	2,828	434
DEPRECIATION AND AMORTISATION						
At 1st April, 2001	140	31,331	4,917	1,355	37,743	46
Currency realignment	-	(5)	(22)	(1)	(28)	-
Provided for the year	95	2,905	1,305	414	4,719	126
Disposal of subsidiaries	(235)	(31,775)	(5,316)	(1,388)	(38,714)	-
Eliminated on other disposals	-	(1,960)	(716)	(130)	(2,806)	-
At 31st March, 2002	-	496	168	250	914	172
NET BOOK VALUES						
At 31st March, 2002	-	834	267	813	1,914	262
At 31st March, 2001	2,740	15,015	4,067	1,742	23,564	319

At 31st March, 2001, the Group's land and buildings were held under medium-term land use rights in the PRC.

At 31st March, 2001, the net book value of property, plant and equipment includes an amount of HK\$231,000 in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

19. INTERESTS IN SUBSIDIARIES

	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	–	45,900
Amounts due from subsidiaries, less allowances	<u>520,304</u>	<u>345,272</u>
	<u><u>520,304</u></u>	<u><u>391,172</u></u>

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Out of the balance as at 31st March, 2002, an amount of HK\$337,850,000 (2001: HK\$99,949,000) bears interest at prevailing market rate and the remaining balance is interest-free. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

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

Details of the Company's principal subsidiaries at 31st March, 2002 are set out in note 49.

20. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	–	–
Amount due from the associate, less allowances	<u>–</u>	<u>1,763</u>
	<u><u>–</u></u>	<u><u>1,763</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

20. INTEREST IN AN ASSOCIATE *(continued)*

Details of the Group's associate at 31st March, 2002, which is held indirectly by the Company, are as follows:

Name of associate	Place of incorporation	Attributable equity interest %	Principal activities
Triple Chain Limited	British Virgin Islands	50	Investment in companies engaged in the development, marketing and distribution of application software

21. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Non-current investments:		
Investment securities, at cost		
Overseas unlisted shares (note below)	95,000	5,967
Less: Impairment losses recognised	(37,000)	(5,967)
	<u>58,000</u>	<u>—</u>
Current investments:		
Other investments, at market value		
Hong Kong listed shares	<u>—</u>	<u>13,466</u>

The directors of the Company consider that the investment securities are held for long-term strategic purposes.

Note: Out of the balance of HK\$95,000,000 at 31st March, 2002, an amount of HK\$50,000,000 represents the Group's investment in an investee company, Hennabun Management Inc. ("HMI"). HMI acts as an investment holding company of companies engaged in the brokerage, commodity trading, margin financing, money lending, corporate finance advisory services and proprietary trading activities.

At 31st March, 2002, an impairment loss of HK\$37,000,000 has been recognised in the Group's investment in HMI to restate the carrying value of the investment to its estimated recoverable amount, with reference to the price of the proposed new issue of shares in HMI subsequent to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

22. NOTES RECEIVABLE

	Notes	THE GROUP	
		2002 HK\$'000	2001 HK\$'000
The notes receivable comprise:			
5% convertible note receivable ("5% Note")	(a)	2,000	2,000
7.5% convertible note receivable ("7.5% Note")	(b)	53,000	53,000
		<u>55,000</u>	<u>55,000</u>
Analysed as:			
Within one year		55,000	53,000
More than one year but not exceeding two years		–	2,000
		<u>55,000</u>	<u>55,000</u>
Less: Amount due within one year included in current assets		<u>(55,000)</u>	<u>(53,000)</u>
Amount due after one year		<u>–</u>	<u>2,000</u>

Notes:

- (a) The 5% Note was issued on 16th January, 2001 by Asia Orient Holdings Limited ("Asia Orient"), a public company listed on the Stock Exchange, and is redeemable on the second anniversary date of issue (the "5% Note Maturity Date").

The 5% Note is unsecured and bears interest at a rate of 5% per annum. Pursuant to the terms of the 5% Note, the Group has the option to convert all or part of the 5% Note into shares of Asia Orient of HK\$0.005 each as follows:

- (i) at an initial price of HK\$0.088, subject to adjustments, at any time during the period from the date of issue up to the date before the first anniversary date of issue; and
- (ii) at an initial price of HK\$0.09, subject to adjustments, at any time during the period after the first anniversary date of issue up to the 5% Note Maturity Date.

During the year, the Group did not exercise any rights to convert any amount of the 5% Note into shares of Asia Orient.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

22. NOTES RECEIVABLE *(continued)*

- (b) The 7.5% Note was issued on 23rd October, 2000 by Cupac Technology Limited (“Cupac”), a former subsidiary of China United Holdings Limited (“China United”), and is redeemable on the first anniversary date of issue (the “7.5% Note Maturity Date”).

The 7.5% Note bears interest at a rate of 7.5% per annum, is unsecured and guaranteed by China United. Pursuant to the terms of the 7.5% Note, the Group has the option to convert all or part of the 7.5% Note into shares of Cupac of HK\$0.01 each at an initial price of HK\$0.80 per share, subject to adjustments, at any time during the period from the date of issue up to the 7.5% Note Maturity Date.

Cupac is a private limited company incorporated in Bermuda. It acts as an investment holding company and holds an investment portfolio of internet-related business.

During the year, the Group did not exercise any rights to convert any amount of the 7.5% Note into shares of Cupac.

23. PROPERTIES HELD FOR RESALE

		THE GROUP	
	Notes	2002 HK\$'000	2001 HK\$'000
The Group's properties held for resale are held under the following lease terms:			
Medium-term land use rights in the PRC	(a)	107,742	107,742
Long leases in Hong Kong	(b)	—	10,500
		<u>107,742</u>	<u>118,242</u>
Less: Impairment losses recognised	(c)	(77,742)	(68,642)
		<u>30,000</u>	<u>49,600</u>

Notes:

- (a) As explained in the Company's circular dated 26th July, 2001, the Group entered into a loan agreement (the “Loan Agreement”) with a third party (the “Lender”), pursuant to which the Lender agreed to grant a revolving loan facility to the extent of HK\$30,000,000 to the Group and the Group transferred the title of the Group's properties held for resale (with a net carrying value of HK\$30,000,000 at 31st March, 2002) to a nominee of the Lender as securities for the obligations of the Group under the Loan Agreement. All the proceeds received from the properties will belong to the Group. Upon repayment in full by the Group of all sum due under the Loan Agreement, the Lender shall procure the transfer of the properties back to the Group. There was no drawn down of the loan at 31st March, 2002.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

23. PROPERTIES HELD FOR RESALE *(continued)*

- (b) At 31st March, 2001, the Group's properties held for resale with an aggregate carrying value of HK\$9,600,000 (after deducting impairment losses of HK\$900,000) were pledged to banks to secure general banking facilities granted to the Group.
- (c) At the balance sheet date, the carrying amount of the Group's properties held for resale are reduced to their net realisable values which are determined by reference to the market selling price of similar properties net of estimated cost of selling.

24. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	–	6,086
Finished goods	–	50,998
	<u>–</u>	<u>57,084</u>

At 31st March, 2001, included in the inventories of the Group are raw materials and finished goods amounting to HK\$4,943,000 and HK\$50,352,000 which are stated at net realisable value.

25. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables of the Group are trade receivables with the following aging analysis:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Trade receivables:		
0–30 days	–	12,537
31–60 days	–	1,002
61–90 days	–	303
Over 90 days	–	12
	<u>–</u>	<u>13,854</u>
Other receivables	5,336	22,151
	<u>5,336</u>	<u>36,005</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

26. SHORT-TERM LOANS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
The short-term loans, net of allowances, comprise:		
Unsecured loans	123,543	4,014
Secured loan (note below)	<u>50,000</u>	<u>–</u>
	<u><u>173,543</u></u>	<u><u>4,014</u></u>

The short-term loans bear interest at prevailing market rate and are due for repayment within one year.

The Group negotiates credit period to borrowers according to credit of individual borrower.

Note: The secured loan was secured by pledge of shares of property holding companies ("Property Companies") which are under the control of the borrowers. Pursuant to the agreement between the Group and the borrowers, the Group was granted a call option to require the borrowers to sell all of the shares of the Property Companies to the Group.

27. DEPOSITS MADE ON INVESTMENTS

	Notes	THE GROUP	
		2002	2001
		HK\$'000	HK\$'000
The deposits made on investments comprise:			
Deposits made on acquisition of a subsidiary	(a)	87,909	87,508
Deposit made on acquisition of a note receivable	(b)	22,750	22,750
Deposit made on acquisition of a land use right	(c)	23,585	–
Deposit made on acquisition of an investee company	(d)	<u>–</u>	<u>50,000</u>
		<u><u>134,244</u></u>	<u><u>160,258</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

27. DEPOSITS MADE ON INVESTMENTS *(continued)*

Notes:

- (a) The amount represents deposits and related expenses paid for the acquisition of a subsidiary in the PRC.

In January 2001, the Group entered into two conditional agreements (the “Acquisition Agreements”) with 河南省義馬市國有資產管理局 (Henan Provincial Yima Municipal State-owned Assets Administration Bureau, “Henan Yima”) and 河南省義馬市狂口居委會 (Henan Provincial Yima Municipal Kuangkou Neighbourhood Committee, “Henan Yima Committee”) to acquire 91.3% and 8.7% equity interest in 河南興邦藥業有限公司 (Henan Xingbang Pharmacy Limited, “Xingbang Pharmacy”) from Henan Yima and Henan Yima Committee, respectively, for a total consideration of RMB146,225,000 (equivalent to HK\$136,658,000).

Xingbang Pharmacy is a state-owned limited liability company registered in the PRC and principally engaged in the manufacture, process, sale and export of traditional Chinese medicine in the PRC.

In 2001, deposits amounting to RMB85,131,000 (equivalent to HK\$79,561,000) and RMB8,112,000 (equivalent to HK\$7,582,000) have been paid by the Group to Henan Yima and Henan Yima Committee, respectively. The remaining consideration of RMB52,982,000 (equivalent to HK\$49,515,000) has been included in note 45.

As Henan Yima and Henan Yima Committee have not obtained the approval from the relevant authorities in the PRC to complete the Acquisition Agreements, two termination agreements were entered into between the Group and each of Henan Yima and Henan Yima Committee on 29th April, 2002. Pursuant to the termination agreements, the parties agreed to terminate the Acquisition Agreements and Henan Yima and Henan Yima Committee agreed to refund the deposits paid by the Group, plus accrued interest, with an aggregate amount of HK\$88,802,000 to the Group.

Details of which are set out in the announcement of the Company dated 29th April, 2002.

- (b) The amount outstanding at 31st March, 2002 and 2001 represents deposit paid for the acquisition of a note receivable (“4% Note”) to be issued by Cupac.

Subsequent to the balance sheet date, the amount was fully refunded, together with the accrued interest, to the Group.

- (c) The amount outstanding at 31st March, 2002 represents deposit paid for the acquisition of a piece of land in the PRC.

In November 2001, the Group entered into an agreement with a third party and pursuant to which the Group agreed to acquire the land for a total consideration of RMB45,009,000 (equivalent to HK\$42,461,000). The land is held under a long-term land use right situated in Xian, the PRC. At 31st March, 2002, the Group paid a deposit of RMB25,000,000 (equivalent to HK\$23,585,000) and the remaining consideration of RMB20,009,000 (equivalent to HK\$18,876,000) has been included in note 45.

Subsequent to the balance sheet date, the acquisition agreement was terminated and the amount was refunded to the Group.

- (d) The amount outstanding at 31st March, 2001 represented deposit paid for the acquisition of an investee company, HMI. The amount was reclassified as investments in securities, details of which are set out in note 21.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

28. LOAN TO A SUBSIDIARY

The amount represented a loan granted by the Company to a former non-wholly owned subsidiary, TFHI. The amount was unsecured, bore interest at a rate of 2% above Hong Kong prime rate per annum. The amount was assigned to a third party during the year.

29. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables with the following aging analysis.

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Trade payables:		
0-30 days	–	4,964
31-60 days	–	6,641
61-90 days	–	3,162
Over 90 days	–	2,270
	<hr/>	<hr/>
	–	17,037
Other payables	2,242	26,543
	<hr/>	<hr/>
	<u>2,242</u>	<u>43,580</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

30. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The bank and other borrowings, which are due within one year, comprise:				
Trust receipts and import loans	–	10,205	–	–
Short-term bank loans	–	8,536	–	–
Other loan	–	13,000	–	–
Bank overdrafts	–	5,024	–	4,694
	<u>–</u>	<u>36,765</u>	<u>–</u>	<u>4,694</u>
Analysed as:				
Secured	–	8,536	–	–
Unsecured	–	28,229	–	4,694
	<u>–</u>	<u>36,765</u>	<u>–</u>	<u>4,694</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum		Present value	
	lease payments		of minimum	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount payable under finance leases:				
Within one year	–	43	–	31
More than one year but not exceeding two years	–	16	–	10
More than two years but not exceeding five years	–	139	–	136
	<u>–</u>	<u>198</u>		
Less: Future finance charges	–	(21)		
	<u>–</u>	<u>177</u>		
Present value of lease obligations	<u>–</u>	<u>177</u>	–	177
Less: Amount due within one year included in current liabilities			–	(31)
Amount due after one year			<u>–</u>	<u>146</u>

It is the Group's policy to lease certain of its equipment under finance leases.

For the year ended 31st March, 2001, the average effective borrowing rate was 3.9%. Interest rates were fixed at the contract date. All leases were on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The average lease term was 3 years.

32. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries of the Company were unsecured, interest-free and were fully repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

33. DEFERRED TAXATION

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
At 1st April	102	82
Disposal of subsidiaries	(82)	–
(Credit) provided for the year (note 14)	(20)	20
	<hr/>	<hr/>
At 31st March	<u>–</u>	<u>102</u>

The deferred tax liability at 31st March, 2001 was mainly attributable to the excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements of certain subsidiaries.

At 31st March, 2002, the Group and the Company had an unrecognised deferred tax asset of HK\$4,834,000 (2001: HK\$27,658,000) and HK\$2,708,000 (2001: HK\$4,641,000), respectively, which represents the tax effect of timing differences arising as a result of tax losses available to set off against future assessable profits. These deferred tax assets have not been recognised in the financial statements as it is uncertain that the benefit will be realised in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

34. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Balance at 1st April, 2000, ordinary shares of HK\$0.10 each	15,417,833,415	1,541,783
Increase in February 2001	<u>4,582,166,585</u>	<u>458,217</u>
Balance at 31st March, 2001 and 1st April, 2001, ordinary shares of HK\$0.10 each	20,000,000,000	2,000,000
Capital reduction and sub-division	<u>180,000,000,000</u>	<u>–</u>
Balance at 31st March, 2002, ordinary shares of HK\$0.01 each	<u><u>200,000,000,000</u></u>	<u><u>2,000,000</u></u>
Issued and fully paid:		
Balance at 1st April, 2000, ordinary shares of HK\$0.10 each	714,838,015	71,483
Repurchase of shares	(1,748,000)	(174)
Placement of shares	142,000,000	14,200
Exercise of share options	<u>10,500,000</u>	<u>1,050</u>
Balance at 31st March, 2001 and 1st April, 2001, ordinary shares of HK\$0.10 each	865,590,015	86,559
Capital reduction	–	(77,903)
Placement of shares	173,118,000	1,731
Rights issue	<u>2,077,416,030</u>	<u>20,774</u>
Balance at 31st March, 2002, ordinary shares of HK\$0.01 each	<u><u>3,116,124,045</u></u>	<u><u>31,161</u></u>

34. SHARE CAPITAL *(continued)*

- (a) During the year ended 31st March, 2001, the following changes in the share capital of the Company took place:
- (i) Pursuant to an ordinary resolution at an extraordinary general meeting of the Company held on 27th February, 2001, the authorised share capital of the Company was increased from HK\$1,541,783,000 to HK\$2,000,000,000.
 - (ii) The Company repurchased 1,748,000 ordinary shares of HK\$0.10 each in the share capital of the Company at an aggregate consideration of HK\$539,000 through the Stock Exchange. The ordinary shares repurchased were subsequently cancelled.
 - (iii) Pursuant to a placing agreement entered into on 19th December, 2000, the Company issued 142,000,000 ordinary shares of HK\$0.10 each at a price of HK\$0.14 per share.
 - (iv) 10,500,000 shares options were exercised at a subscription price of HK\$0.205 per share, resulting in the issue of 10,500,000 ordinary shares of HK\$0.10 each in the Company.

All the ordinary shares issued during the year rank *pari passu* with the then existing ordinary shares of the Company in all respects.

- (b) During the year ended 31st March, 2002, the following changes in the share capital of the Company took place:
- (i) Pursuant to a special resolution at the extraordinary general meeting of the Company held on 27th February, 2001, the shareholders approved the following:
 - 1. The issued share capital of the Company was reduced from an amount of HK\$86,559,000 to HK\$8,656,000 by canceling paid up share capital of the Company to the extent of HK\$0.09 on each of the ordinary share in issue so that each issued ordinary share of HK\$0.10 in the share capital of the Company was treated as one fully paid up ordinary share of HK\$0.01 in the share capital of the Company (the “Capital Reduction”);
 - 2. The Company applied the credit arising from the Capital Reduction to a distributable reserve of the Company; and
 - 3. Every ordinary share of HK\$0.10 in the unissued share capital of the Company were sub-divided into ordinary shares of HK\$0.01 each of the Company.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

34. SHARE CAPITAL *(continued)*

The issued and unissued ordinary shares resulting from the above changes rank pari passu in all respects in accordance with the clauses of the Company's Articles of Association.

On 17th April, 2001, the Grand Court of the Cayman Islands confirmed the above alternation of the issued capital of the Company and the changes of the issued capital of the Company were completed and registered by the Cayman Islands' Registrar of Companies on 19th April, 2001.

- (ii) Pursuant to a placing agreement entered into on 28th May, 2001, the Company issued 173,118,000 ordinary shares of HK\$0.01 each at a price of HK\$0.12 per share. The price of HK\$0.12 per share represents a discount of approximately 20% to the closing price of the Company's shares on 28th May, 2001 as quoted on the Stock Exchange. The net proceeds of the placement of approximately HK\$20,000,000 was used for additional working capital of the Company.

These new ordinary shares were issued under the general mandate granted to the directors of the Company at the extraordinary general meeting held on 27th February, 2001.

- (iii) On 24th August, 2001, the shareholders of the Company approved to issue, by way of rights issue (the "Rights Issue"), of 2,077,416,030 rights shares (the "Rights Shares") to the holders of the then existing ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.10 for one Rights Share, on the basis of two Rights Shares for every one then existing ordinary share of the Company. The net proceeds of the Rights Issue of approximately HK\$201,000,000 would be used towards future investment opportunities of the Company.

These new ordinary shares issued during the year rank pari passu with the then existing ordinary shares of the Company in all respects.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

35. SHARE OPTION SCHEME

Pursuant to the share option scheme (the "Scheme") of the Company adopted on 2nd July, 1999, the Company may grant options under the Scheme to any full time employees, including executive directors, of the Company or its subsidiaries to subscribe for shares in the Company.

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

Date of grant	Exercise price per share HK\$	Outstanding at 1.4.2001	Lapsed during the year	Outstanding at 31.3.2002
27.8.1999	0.205	15,000,000	(15,000,000)	—
8.9.1999	0.319	4,000,000	(4,000,000)	—
1.3.2000	0.453	15,200,000	(15,200,000)	—
		<u>34,200,000</u>	<u>(34,200,000)</u>	<u>—</u>

The share options were exercisable at any time within five years since the date of acceptance of the options.

36. WARRANTS

On 11th October, 1999, a placing and underwriting agreement was entered into between the Company and a placing agent, pursuant to which the placing agent agreed to place 114,500,000 warrants conferring rights to subscribe an aggregate of HK\$40,075,000 in cash for ordinary shares of the Company (the "Warrants") at an initial issue price of HK\$0.25 each to independent investors. Each Warrant would entitle the holder to subscribe one new ordinary share in the Company at an initial subscription price of HK\$0.35 per share, subject to adjustments.

Following the Share Placement of the Company in December 2000, the subscription price of the Warrants was changed from HK\$0.35 per share to HK\$0.34 per share, subject to adjustments, in accordance with the terms of the Warrant instrument.

No warrant holders had exercised any of their rights during the year.

The rights attached to the Warrants to subscribe for ordinary shares of the Company expired on 3rd May, 2001 and all the outstanding Warrants were lapsed accordingly. As a result, the balance of the warrant reserve has been transferred to accumulated losses.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

37. RESERVES

	Share premium HK\$'000	Translation reserve HK\$'000	Negative goodwill reserve (goodwill reserve) HK\$'000	Capital redemption reserve HK\$'000	Special reserve HK\$'000	Warrant reserve HK\$'000	Distributable reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP									
At 1st April, 2000	82,374	(2,181)	2,461	311	35,131	26,754	517,288	(340,240)	321,898
Premium arising on issue of shares	6,783	-	-	-	-	-	-	-	6,783
Expenses incurred in connection with the issue of shares	(520)	-	-	-	-	-	-	-	(520)
Shares repurchased and cancelled:									
Premium on shares repurchased	(365)	-	-	-	-	-	-	-	(365)
Transfer	(174)	-	-	174	-	-	-	-	-
Goodwill reserve realised upon the partial disposal of a subsidiary to minority shareholders	-	-	1,770	-	-	-	-	-	1,770
Goodwill arising on acquisition of an associate	-	-	(48,674)	-	-	-	-	-	(48,674)
Impairment loss recognised in respect of goodwill arising from the acquisition of an associate (note (d) below)	-	-	48,674	-	-	-	-	-	48,674
Exchange differences arising on translation of overseas operations	-	1,822	-	-	-	-	-	-	1,822
Net loss for the year, restated (see note 3)	-	-	-	-	-	-	-	(84,147)	(84,147)
At 31st March, 2001 and at 1st April, 2001, restated	88,098	(359)	4,231	485	35,131	26,754	517,288	(424,387)	247,241
Capital Reduction (note 34(b)(i))	-	-	-	-	-	-	77,903	-	77,903
Premium arising on issue of shares	206,010	-	-	-	-	-	-	-	206,010
Expenses incurred in connection with the issue of shares	(6,652)	-	-	-	-	-	-	-	(6,652)
Transfer (note (e) below)	-	-	-	-	-	(26,754)	-	26,754	-
Exchange differences arising on translation of overseas operations	-	(226)	-	-	-	-	-	-	(226)
Reserves released upon disposal of discontinued operations	-	585	(4,231)	-	-	-	-	-	(3,646)
Net loss for the year	-	-	-	-	-	-	-	(47,675)	(47,675)
At 31st March, 2002	<u>287,456</u>	<u>-</u>	<u>-</u>	<u>485</u>	<u>35,131</u>	<u>-</u>	<u>595,191</u>	<u>(445,308)</u>	<u>472,955</u>
Attributable to:									
- the Company and subsidiaries	287,456	-	-	485	35,131	-	595,191	(445,307)	472,956
- an associate	-	-	-	-	-	-	-	(1)	(1)
	<u>287,456</u>	<u>-</u>	<u>-</u>	<u>485</u>	<u>35,131</u>	<u>-</u>	<u>595,191</u>	<u>(445,308)</u>	<u>472,955</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

37. RESERVES *(continued)*

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Warrant reserve HK\$'000	Contributed surplus HK\$'000	Distributable reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY							
At 1st April, 2000	82,374	311	26,754	39,521	517,288	(323,009)	343,239
Premium arising on issue of shares	6,783	-	-	-	-	-	6,783
Expenses incurred in connection with the issue of shares	(520)	-	-	-	-	-	(520)
Shares repurchased and cancelled:							
Premium on shares repurchased	(365)	-	-	-	-	-	(365)
Transfer	(174)	174	-	-	-	-	-
Net loss for the year	-	-	-	-	-	(39,177)	(39,177)
At 31st March, 2001 and at 1st April, 2001	88,098	485	26,754	39,521	517,288	(362,186)	309,960
Capital Reduction (note 34(b)(i))	-	-	-	-	77,903	-	77,903
Premium arising on issue of shares	206,010	-	-	-	-	-	206,010
Expenses incurred in connection with the issue of shares	(6,652)	-	-	-	-	-	(6,652)
Transfer (note (e) below)	-	-	(26,754)	-	-	26,754	-
Net loss for the year	-	-	-	-	-	(96,080)	(96,080)
At 31st March, 2002	<u>287,456</u>	<u>485</u>	<u>-</u>	<u>39,521</u>	<u>595,191</u>	<u>(431,512)</u>	<u>491,141</u>

Notes:

- (a) The special reserve of the Group represents the difference between the aggregate amount of the share capital and share premium account of a company which was the former holding company of the Group and the nominal value of the Company's shares issued pursuant to the group reorganisation in 1992.
- (b) The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the underlying net tangible asset value net of pre-acquisition dividends and realised pre-acquisition investment property revaluation reserve of subsidiaries which were acquired by the Company pursuant to the group reorganisation in 1992.
- (c) The distributable reserve of the Group and the Company represents the aggregate of the credit arising from the following:
 - (i) the reduction of nominal value of the consolidated shares from HK\$0.10 each to HK\$0.002 each by canceling HK\$0.098 paid up on each issued share and the cancellation of share premium account as at 31st October, 1998, after a transfer of HK\$607,193,000 towards the elimination of the accumulated losses of the Company as at 31st October, 1998; and
 - (ii) Capital Reduction during the year as mentioned in note 34(b)(i) above.
- (d) The amount represented a prior year adjustment in respect of the impairment loss recognised in respect of goodwill arising from the acquisition of an associate during the year ended 31st March, 2001.
- (e) The rights attached to the Warrants of the Company to subscribe for ordinary shares of the Company expired on 3rd May, 2001 and the balance of the warrant reserve was transferred to accumulated losses accordingly.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

38. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2002 HK\$'000	2001 HK\$'000
Loss before taxation	(54,494)	(98,256)
Bank and other interest income	(653)	(8,107)
Interest expenses	2,122	2,936
Depreciation and amortisation	4,719	12,480
Net gain on disposal of subsidiaries	(24,525)	(53,573)
Write back of provision of litigation	(4,325)	–
Impairment loss recognised in respect of investment securities	37,000	–
Impairment losses recognised in respect of properties held for resale	10,000	40,900
Loss on assignment of loan to a subsidiary	4,711	–
Allowance for (write back of allowances for) amounts due from associates–net	1,780	(1,483)
Deficit arising on valuation of investment properties	1,680	180
Loss on disposal of property, plant and equipment	160	8,684
Write back of allowances for loan debtors	–	(16,000)
Gain on transfer of certain property interests to a jointly controlled entity	–	(10,696)
Gain on disposal of interest in a jointly controlled entity	–	(10,674)
Unrealised gain on other investments	–	(4,266)
Write back of allowances for guarantees given in connection with a disposed subsidiary	–	(1,776)
Gain on disposal of investment properties	–	(975)
Dividend income	–	(76)
Impairment loss recognised in respect of goodwill arising from the acquisition of an associate	–	48,674
Forfeiture of deposit made on acquisition of a property	–	4,149
Loss on disposal of investment securities	–	4,010
Share of results of a jointly controlled entity	–	209
Allowances for bad and doubtful debts	–	422
Loss on disposal of properties under development	–	47
Decrease in properties held for resale	9,600	–
Increase in inventories	(2,323)	(10,683)
(Increase) decrease in trade and other receivables	(27,831)	5,788
(Increase) decrease in short-term loans	(169,529)	77,353
Decrease in option right acquired for acquisition of properties under development	–	30,000
Decrease in investments in securities	13,466	20,029
Increase in trade and other payables	25,052	3,884
	<u>(173,390)</u>	<u>43,180</u>
Net cash (outflow) inflow from operating activities	<u>(173,390)</u>	<u>43,180</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

39. ACQUISITION OF A SUBSIDIARY

	2002 HK\$'000	2001 HK\$'000
Asset acquired:		
Property, plant and equipment	<u>630</u>	<u>–</u>
Satisfied by:		
Cash	<u>630</u>	<u>–</u>

The subsidiary acquired during the year did not have significant impact to the revenue or cash flows of the Group.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

40. DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of (net liabilities eliminated):		
Property, plant and equipment	44,538	–
Inventories	59,407	–
Trade and other receivables	43,789	2,075
Tax recoverable	129	–
Bank balances and cash	21,372	4
Trade and other payables	(62,241)	–
Deposit received from disposal of properties held for resale	–	(58,261)
Bank and other borrowings	(57,315)	–
Deferred taxation	(82)	–
Obligations under finance leases	(144)	–
	<u>49,453</u>	<u>(56,182)</u>
Net assets (liabilities)	49,453	(56,182)
Gain on disposal of subsidiaries	24,525	56,182
Minority interests	(24,432)	–
Negative goodwill realised on disposal	(4,231)	–
Translation reserve realised on disposal	585	–
	<u>45,900</u>	<u>–</u>
Satisfied by:		
Cash consideration received	<u>45,900</u>	<u>–</u>
Analysis of net outflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration received	45,900	–
Bank borrowings	15,875	–
Bank balances and cash disposed of	(21,372)	(4)
	<u>40,403</u>	<u>(4)</u>
Net inflow (outflow) of cash and cash equivalents in connection with the disposal of subsidiaries	<u>40,403</u>	<u>(4)</u>

The subsidiary disposed of during the year contributed HK\$151,055,000 to the Group's turnover and HK\$12,418,000 to the Group's loss from operations. The business sold during the year contributed HK\$6,957,000 to the Group's net operating cash flows, paid HK\$522,000 in respect of the net returns on investment and servicing of finance, paid HK\$36,000 in respect of taxation, utilised HK\$27,570,000 for investing activities and raised HK\$19,843,000 in respect of financing activities.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

41. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital HK\$'000	Share premium HK\$'000	Warrant reserve HK\$'000	Convertible notes HK\$'000	Minority interests HK\$'000	Obligations under finance leases HK\$'000	Bank loans HK\$'000	Other loan HK\$'000	Amount due to a jointly controlled entity HK\$'000
At 1st April, 2000	71,483	82,374	26,754	70,000	487	114	8,703	-	37,449
Issue of shares for cash on share placement and exercise of warrants and options	15,250	6,783	-	-	-	-	-	-	-
Expenses incurred in connection with the issue of shares	-	(520)	-	-	-	-	-	-	-
Shares repurchased and cancelled	(174)	(365)	-	-	-	-	-	-	-
Partial disposal of a subsidiary to minority shareholders	-	-	-	-	44,050	-	-	-	-
Loss attributable to the partial disposal of a subsidiary to the minority shareholders by the Group	-	-	-	-	839	-	-	-	-
Dividend paid to minority shareholders	-	-	-	-	(153)	-	-	-	-
Share of reserve by minority shareholders	-	-	-	-	398	-	-	-	-
Share of loss by minority shareholders	-	-	-	-	(14,156)	-	-	-	-
Redemption of convertible notes	-	-	-	(70,000)	-	-	-	-	-
Transfer to capital redemption reserve	-	(174)	-	-	-	-	-	-	-
Off-set bank borrowings against the proceeds from the disposal of property under development (note 43 (a))	-	-	-	-	-	-	(31,304)	-	-
Inception of finance leases (note 43 (b))	-	-	-	-	-	221	-	-	-
Borrowings raised	-	-	-	-	-	-	22,601	13,000	-
Repayment of borrowings	-	-	-	-	-	(158)	-	-	(37,449)
At 31st March, 2001 and at 1st April, 2001	86,559	88,098	26,754	-	31,465	177	-	13,000	-
Capital Reduction	(77,903)	-	-	-	-	-	-	-	-
Issue of shares for cash on share placement and Rights Issue	22,505	206,010	-	-	-	-	-	-	-
Expenses incurred in connection with the issue of shares	-	(6,652)	-	-	-	-	-	-	-
Share of results by minority shareholders	-	-	-	-	(7,009)	-	-	-	-
Dividends paid to minority shareholders	-	-	-	-	(24)	-	-	-	-
Transfer (note 37(e))	-	-	(26,754)	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	(24,432)	(144)	-	(41,440)	-
Borrowings raised	-	-	-	-	-	-	-	28,440	-
Repayment of borrowings	-	-	-	-	-	(33)	-	-	-
At 31st March, 2002	<u>31,161</u>	<u>287,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

42. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002 HK\$'000	2001 HK\$'000
Bank balances and cash	42,404	37,306
Trust receipts and import loans	–	(10,205)
Short-term bank loans	–	(8,536)
Bank overdrafts	–	(5,024)
	<u>42,404</u>	<u>13,541</u>

43. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31st March, 2001, proceeds receivable for the disposal of property under development amounting to HK\$31,304,000 were settled by transferring the bank borrowings to the purchaser.
- (b) During the year ended 31st March, 2001, the Group entered into finance leases in respect of property, plant and equipment with a total capital value at the inception of the leases of HK\$221,000.

44. OPERATING LEASE COMMITMENTS

- (a) The Group as lessee

	2002 HK\$'000	2001 HK\$'000
Minimum lease payments paid by the Group under operating leases in respect of premises during the year	<u>24,407</u>	<u>47,906</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

44. OPERATING LEASE COMMITMENTS *(continued)*

(a) The Group as lessee *(continued)*

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

	2002 HK\$'000	2001 HK\$'000
Within one year	937	25,698
In the second to fifth year inclusive	—	12,885
	<u>937</u>	<u>38,583</u>

Operating lease payments represent rentals payable by the Group for its office properties, factory premises and retail shops. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

(b) The Group as lessor

	2002 HK\$'000	2001 HK\$'000
Property rental income earned during the year	<u>2,119</u>	<u>2,123</u>

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments.

	2002 HK\$'000	2001 HK\$'000
Within one year	2,980	1,620
In the second to fifth year inclusive	<u>2,536</u>	<u>2,012</u>
	<u>5,516</u>	<u>3,632</u>

The Group's properties are expected to generate rental yield of 7.1% on an ongoing basis. All of the properties held have committed tenants for an average of three years.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

45. COMMITMENTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	<u>18,876</u>	<u>24,351</u>

At 31st March, 2002, the Group had an outstanding commitment of HK\$49,515,000 (2001: HK\$49,515,000) in respect of the acquisition of Xingbang Pharmacy in the PRC (note 27(a)).

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

46. CONTINGENT LIABILITIES

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Guarantees given to financial institutions in respect of credit facilities extended to subsidiaries	<u>–</u>	<u>13,740</u>

The Group did not have any significant contingent liabilities at the balance sheet date.

47. POST BALANCE SHEET EVENTS

The following significant events took place after 31st March, 2002:

- (a) On 10th April, 2002, the Group entered into an agreement with a third party and pursuant to which the Group agreed to acquire the entire equity interest in a company, Up Keep Investments Limited (“Up Keep”), for a total consideration of HK\$250,000.

Up Keep is a private limited company incorporated in the British Virgin Islands and acts as an investment holding company. Up Keep has a right to acquire a 66.7% equity interest in 陝西維光科技有限公司 (Shaanxi Weiguang Technology Co., Ltd. “Shaanxi Weiguang”), an equity joint venture company incorporated in the PRC, by injecting a capital fund of RMB80,000,000 into the joint venture company. The principal activity of Shaanxi Weiguang is the manufacturing of GPS-based public security systems and devices in the PRC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

47. POST BALANCE SHEET EVENTS *(continued)*

- (b) On 13th May, 2002, the Group entered into an agreement with a third party, pursuant to which the Group agreed to purchase a property situated in Shenzhen, the PRC, for a total consideration of HK\$182,868,000 from the third party.

Details of this are set out in the circular of the Company to the shareholders dated 27th May, 2002.

48. RELATED PARTY TRANSACTIONS

The Group had the following transactions with the related parties:

Name of parties	Nature of transactions	Notes	2002 HK\$'000	2001 HK\$'000
Ms. Yau Shum Tek, Cindy and Mr. Wang Chun Lin	Purchase 100% issued share capital of a company	(a)	630	–
Iu, Lai & Li	Legal and professional fees paid by the Group	(b)	–	209
Vincent T.K. Cheung, Yap & Co.	Legal and professional fees paid by the Group	(c)	–	670
Fargood Limited	Real estate agency fees received by the Group	(d)	–	293
Come Fook Engineering Company	Project management work awarded by the Group	(e)	–	400

In the opinion of the directors, the transactions disclosed above were entered at terms determined and agreed by the Group and the relevant party.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

48. RELATED PARTY TRANSACTIONS *(continued)*

Notes:

- (a) Ms. Yau Shum Tek, Cindy and Mr. Wang Chun Lin are executive directors of the Company.
- (b) Mr. Tsang Link Carl, Brian, a former independent non-executive director of the Company, is a partner of Iu, Lai & Li.
- (c) Mr. Lee Kee Wai, Frank, a former independent non-executive director of the Company, is a partner of Vincent T.K. Cheung, Yap & Co.
- (d) Paul Y.–ITC Construction Holdings Limited (“Paul Y.–ITC”) is the holding company of Fargood Limited. ITC Corporation Limited, a former substantial shareholder of the Company, is also a substantial shareholder of Paul Y.–ITC.
- (e) Paul Y.–ITC is the holding company of Come Fook Engineering Company.

49. PRINCIPAL SUBSIDIARIES

Details of the Company’s principal subsidiaries at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Brilliance Assets Limited	British Virgin Islands	US\$1	–	100	Investment holding
Eastern Sunny Limited	Hong Kong	HK\$2	–	100	Provision of management service
Equity Spin Investments Limited	British Virgin Islands	US\$1	100	–	Investment holding
Far Hero Limited	Hong Kong	HK\$2	–	100	Property investment
Genesis Sun Holdings Limited	Hong Kong	HK\$2	–	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st March, 2002

49. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Globe Concept Holdings Ltd.	British Virgin Islands	US\$1	–	100	Investment holding
Goldall International Limited	Hong Kong	HK\$100,000	–	100	Provision of management service
Hansom Finance Limited	Hong Kong	HK\$2	–	100	Provision of finance
Longsun Ltd.	British Virgin Islands	US\$1	100	–	Investment holding
Peking Bay Assets Limited	British Virgin Islands	US\$1	–	100	Investment holding
Smart Jump Corporation	British Virgin Islands	US\$1	–	100	Trading and investment in securities
Time Achieve Profits Limited	British Virgin Islands	US\$1	–	100	Investment holding
Top Achievers Co., Ltd.	British Virgin Islands	US\$1	–	100	Investment holding
Well Faith Ltd.	British Virgin Islands	US\$1	–	100	Property holding
Win Advance Development Limited	Hong Kong	HK\$2	–	100	Property investment
西安恒盛物業發展有限公司	PRC	HK\$25,000,000	–	100	Property holding

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