



Notes to the Financial Statements

For the year ended 31st March, 2002

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The activities of its subsidiaries are set out in note 42.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group adopted, for the first time, the following 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. The revised accounting policies are set out in note 3. In addition, the 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 new and revised SSAPs adopted during the year have not had any significant impact on the results of the Group.

Leases

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

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.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation 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 acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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, associate or jointly controlled entity at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as an intangible asset.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

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, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

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

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



Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in subsidiaries

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

Interest in associates

The Group's interest in its associates is included in the consolidated balance sheet at the Group's share of the net assets of the associates plus goodwill on acquisition in so far as it has not already been written off, less any identified impairment loss. The Group's share of the post-acquisition results of its associates is included in the consolidated income statement.

Interest in joint ventures

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 interest in its jointly controlled entity is included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entity plus goodwill on acquisition in so far as it has not already been written off, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entity is included in the consolidated income statement.

Revenue recognition

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

When the outcome of an engineering services contract can be estimated reliably, revenue from fixed price contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of an engineering services contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

When a property is developed for sale, income is recognised only when the property or any portion of it contracted for sale is completed and the appropriate building occupation permit has been granted by the relevant authorities.

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



Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

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

Profits and losses arising on trading in securities are recognised on a trade-date basis.

Dividend income from investments is recognised when the 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.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit 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 deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement.

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

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.



Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Property, plant and equipment, other than construction in progress, is stated at cost less accumulated depreciation and amortisation and impairment losses.

Construction in progress is stated at cost less any identified impairment loss. Cost which includes all development expenditure and other direct costs, including borrowing cost capitalised, attributable to such projects. Construction in progress is not amortised until the completion of the construction. Cost of completed construction work is transferred to the appropriate category of property, plant and equipment.

Depreciation and amortisation are provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the lease terms
Buildings	4% or over the remaining terms of the relevant lease, if shorter
Furniture, fixtures and machinery	10% – 20%
Motor vehicles	10% – 20%

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 income statement.

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

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 loss is recognised as an expense immediately.

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

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Properties under development

Land and buildings in the course of development for production, rental or administrative purposes or for the purposes not yet determined, are carried at cost as reduced by any identified impairment loss. Cost comprises the cost of land together with the direct costs attributable to the development of the properties and borrowing costs capitalised during the period of development.

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 carried 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 first-in, first-out method.

Engineering services contracts

When the outcome of an engineering services contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue recognised.

When the outcome of an engineering services contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.



Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Assets held under finance leases

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 is included in the balance sheet as an obligation under finance leases. 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 rentals are charged to the income statement on a straight line basis over the term of the relevant lease.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, 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.

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

Foreign currencies

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

On consolidation, the financial statements which are denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the balance sheet date. Differences arising on translation are credited or charged to the translation reserve.

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 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.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Retirement benefits scheme

The pension costs charged in the income statement represent the contributions payable in the current year to the Group's Mandatory Provident Fund Scheme and defined contribution retirement scheme.

4. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties and is summarised as follows:

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Trading of air conditioning equipment and provision of engineering related services	29,749	28,851
Trading of motorcycles	9,959	8,517
Trading of pharmaceutical products	3,459	7,661
Rental income	1,458	2,182
General trading	–	1,612
	<hr/> 44,625 <hr/>	<hr/> 48,823 <hr/>

The outgoings arising from rental income was negligible in both years.



Notes to the Financial Statements

For the year ended 31st March, 2002

5. OTHER OPERATING EXPENSES

	2002 HK\$'000	2001 HK\$'000
Other operating expenses comprise:		
Impairment loss recognised in respect of properties under development	21,843	13,204
Impairment loss recognised in respect of leasehold properties	3,600	–
Deficit arising on revaluation of investment properties	2,500	10,370
Impairment loss recognised in respect of construction in progress	–	3,681
Impairment loss recognised in respect of investment securities	–	772
Unrealised holding loss on other investments	95	2,299
Loss on disposal of property, plant and equipment	1,898	14
Loss on disposal of investment properties	1,331	–
	31,267	30,340

6. LOSS FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Auditors' remuneration:		
– current year	405	850
– underprovision in the previous year	93	–
	498	850
Depreciation and amortisation on		
– owned assets	888	1,291
– asset held under a finance lease	41	32
Retirement benefits scheme contributions, net of forfeited contributions of HK\$163,000 (2001: HK\$98,000)	321	124
Staff costs, including directors' remuneration	15,376	17,228
Dividend income from listed investments in securities	(71)	(89)
Dividend income from unlisted investments in securities	(93)	(1,389)
Loss on disposal of investments in securities	1,008	108
Interest income	(2,827)	(3,598)

Notes to the Financial Statements

For the year ended 31st March, 2002

7. FINANCE COSTS

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Interest on:		
– bank borrowings wholly repayable within five years	9,849	13,627
– bank borrowings not wholly repayable within five years	20	–
– a finance lease	34	7
	9,903	13,634
Less: Amount capitalised to properties under development	(9,849)	(13,627)
	54	7

8. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

A. Directors' emoluments

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Fees:		
Executive directors	–	–
Independent non-executive directors	132	120
Other non-executive directors	–	–
	132	120
Other emoluments paid to executive directors:		
Salaries and other benefits	7,260	6,471
Retirement benefits scheme contributions	252	224
	7,512	6,695
	7,644	6,815



Notes to the Financial Statements

For the year ended 31st March, 2002

8. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS (Cont'd)

A. Directors' emoluments (Cont'd)

The directors' emoluments were within the following bands:

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	8	5
HK\$1,000,001 – HK\$1,500,000	4	4
HK\$1,500,001 – HK\$2,000,000	1	1
	<u>13</u>	<u>10</u>

B. Highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2001: four) were directors of the Company whose emoluments are disclosed in (A) above. The emoluments of the remaining (2001: one) individual were as follows:

	2002	2001
	HK\$'000	HK\$'000
Salaries and other benefits	1,125	460
Retirement benefits scheme contributions	34	4
Performance related incentive payments	–	2,059
	<u>1,159</u>	<u>2,523</u>

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

Notes to the Financial Statements

For the year ended 31st March, 2002

9. DISCONTINUED OPERATIONS

In November 2001, the Group ceased its operations in the manufacturing of pharmaceutical products, medicine and nutrients after the disposal of a subsidiary, Beijing Medical Health Development Co., Ltd. (北京海爾富藥業有限公司).

The results of the discontinued operations for the year ended 31st March, 2002 were as follows:

	HK\$'000
Turnover	3,459
Cost of sales	(2,202)
	1,257
Other revenue	65
Administrative expenses	(2,216)
	(894)
Loss before minority interest	(894)
Minority interest	(71)
	(823)

10. TAXATION

	2002	2001
	HK\$'000	<i>HK\$'000</i>
The charge (credit) comprises taxation outside Hong Kong:		
The Company and subsidiaries	43	(1,495)
Share of taxation of an associate	1,154	2,266
Share of taxation of a jointly controlled entity	6,417	3,600
	7,614	4,371

Taxation outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made for the Group as the Company and its subsidiaries had no assessable profit for the year.



Notes to the Financial Statements

For the year ended 31st March, 2002

10. TAXATION (Cont'd)

No deferred tax asset has been recognised in the financial statements as it is not certain whether the asset will crystallise in the foreseeable future.

The major components of the unprovided deferred tax credit (charge) of the Group for the year are as follows:

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Tax effect of timing differences attributable to:		
Tax losses incurred during the year	5,682	1,607
Others	25	(29)
	<u>5,707</u>	<u>1,578</u>

At the balance sheet date, the major components of the potential deferred tax asset (liability) of the Group not recognised in the financial statements are as follows:

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Tax effect of timing differences attributable to:		
Unutilised tax losses	31,478	25,796
Others	(77)	(102)
	<u>31,401</u>	<u>25,694</u>

At 31st March, 2002, the Company has an unrecognised deferred tax asset of HK\$516,000 (2001: HK\$358,000) attributable to unutilised tax losses.

Notes to the Financial Statements

For the year ended 31st March, 2002

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2002	2001
Net loss for the year	HK\$59,019,000	HK\$156,418,000
Weighted average number of shares for the purposes of basic loss per share	1,952,523,532	1,923,432,299

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding options as their exercise would result in a decrease in the loss per share in both years.

12. INVESTMENT PROPERTIES

	THE GROUP
	<i>HK\$'000</i>
VALUATION	
At 1st April, 2001	29,963
Disposals	(2,963)
Deficit arising on revaluation	(2,500)
At 31st March, 2002	24,500

The investment properties of the Group were leased out for rental purposes under operating leases and were revalued at 31st March, 2002 by an independent firm of professional valuers, chartered surveyors, on an open market value existing use basis. The resulting deficit arising on revaluation of HK\$2,500,000 has been charged to the consolidated income statement.

The Group's investment properties comprises:

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Properties situated in Hong Kong held under long leases	6,000	7,000
Properties situated in Hong Kong held under medium term leases	18,500	20,000
Properties situated outside Hong Kong held under medium term leases	-	2,963
	24,500	29,963



Notes to the Financial Statements

For the year ended 31st March, 2002

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Furniture, fixtures and machinery	Motor vehicles	Construction in progress	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP					
COST					
At 1st April, 2001	19,476	4,540	2,851	6,063	32,930
Currency realignment	–	–	–	88	88
Additions	1,200	32	596	202	2,030
Disposal of subsidiaries	–	(1,880)	(1,668)	(6,353)	(9,901)
Disposals	(14,718)	(664)	(1,183)	–	(16,565)
At 31st March, 2002	5,958	2,028	596	–	8,582
DEPRECIATION, AMORTISATION AND IMPAIRMENT					
At 1st April, 2001	9,709	1,896	1,500	3,681	16,786
Provided for the year	413	176	340	–	929
Eliminated on disposal of subsidiaries	–	(365)	(773)	(3,681)	(4,819)
Eliminated on disposals	(9,121)	(220)	(1,029)	–	(10,370)
Impairment loss	3,600	–	–	–	3,600
At 31st March, 2002	4,601	1,487	38	–	6,126
NET BOOK VALUES					
At 31st March, 2002	1,357	541	558	–	2,456
At 31st March, 2001	9,767	2,644	1,351	2,382	16,144

During the year, the management of the Group has reviewed the carrying amount of certain leasehold land and buildings in the People's Republic of China (the "PRC"). An impairment loss of HK\$3,600,000, representing the difference between the estimated selling price and the carrying amount of the properties, has been identified and recognised in the consolidated income statement.

Notes to the Financial Statements

For the year ended 31st March, 2002

13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

At 31st March, 2001, the net book value of motor vehicles included an amount of HK\$247,777 in respect of asset held under a finance lease. There were no assets held under finance leases at 31st March, 2002.

	Furniture, fixtures and machinery
	<i>HK\$'000</i>
THE COMPANY	
COST	
Acquired during the year and at 31st March, 2002	6
DEPRECIATION	
Provided for the year and at 31st March, 2002	1
NET BOOK VALUE	
At 31st March, 2002	5
At 31st March, 2001	–

The Group's leasehold land and buildings comprise:

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Properties situated in Hong Kong held under medium term leases	–	9,264
Properties situated in the PRC held under medium term land use rights	1,357	503
	1,357	9,767

During the year, the Group has acquired certain property interests in the PRC at a cost of approximately HK\$1,200,000. At 31st March, 2002, the property ownership certificates in respect of the property interest as stated above have not been issued by the relevant PRC government authority. The Group has settled the full amount of the purchase consideration and in the opinion of the directors, the property ownership certificates will be issued in due course.



Notes to the Financial Statements

For the year ended 31st March, 2002

14. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Land cost	291,900	291,900
Development costs	58,171	35,086
Interest capitalised	64,539	54,690
	414,610	381,676
Less: Impairment loss	(243,519)	(221,676)
	171,091	160,000

The Group's properties under development are situated in Hong Kong and are held under a long lease.

The recoverable amount of the properties under development was estimated by reference to the estimated selling prices less estimated costs to completion.

15. NEGATIVE GOODWILL

	THE GROUP HK\$'000
GROSS AMOUNT	
At 1st April, 2001	(57,782)
Disposal of subsidiaries	57,782
At 31st March, 2002	-
RELEASED TO INCOME	
At 1st April, 2001	7,829
Released during the year	6,173
Eliminated on disposal of subsidiaries	(14,002)
At 31st March, 2002	-
CARRYING AMOUNT	
At 31st March, 2002	-
At 31st March, 2001	(49,953)

Negative goodwill is recognised as income over the remaining weighted average useful life of the identifiable depreciable non-monetary assets acquired by the Group.

Notes to the Financial Statements

For the year ended 31st March, 2002

16. INTERESTS IN SUBSIDIARIES

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Unlisted shares	183,277	183,277
Amounts due from subsidiaries	561,066	582,964
	744,343	766,241
Less: Impairment losses	(584,440)	(525,440)
	159,903	240,801

The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Company as at the date on which the Company became the holding company of the Group under the group reorganisation in 1994, less dividends distributed from pre-reorganisation reserves of the subsidiaries and impairment losses recognised.

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinion of the directors, the Company will not demand repayment within twelve months from the balance sheet date and the amounts are therefore shown as non-current.

An impairment loss of HK\$59,000,000 (2001: HK\$161,517,000) has been recognised in respect of the investment in and advances to subsidiaries to their recoverable amounts which is determined by reference to the fair value of the underlying assets of the respective subsidiaries at the balance sheet date.

Particulars of the subsidiaries at 31st March, 2002 are set out in note 42.

17. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
Share of net assets	—	18,806

At 31st March, 2001, the interest in an associate represented a 48.728% interest in Shenzhen Rainbow Shopping Co. 深圳天虹商場有限公司. The associate was disposed of during the year.



Notes to the Financial Statements

For the year ended 31st March, 2002

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	-	144,293
Amount due to a jointly controlled entity	-	(2,885)
	<u>-</u>	<u>141,408</u>

During the year, the Group disposed of its entire interest in a jointly controlled entity, Beijing Kang Xin Yuen Real Estate Development Co., Ltd. (北京康馨園房地產開發有限公司).

The amount due to a jointly controlled entity was unsecured, interest free and had no fixed terms of repayment.

19. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
THE GROUP						
Equity securities:						
Listed in Hong Kong	-	-	416	3,372	416	3,372
Listed outside Hong Kong	27	27	-	-	27	27
Unlisted	-	80	-	-	-	80
	<u>27</u>	<u>107</u>	<u>416</u>	<u>3,372</u>	<u>443</u>	<u>3,479</u>
Debt securities:						
Unlisted (Note)	-	-	-	710	-	710
	<u>-</u>	<u>-</u>	<u>-</u>	<u>710</u>	<u>-</u>	<u>710</u>
Market value of listed securities	<u>221</u>	<u>204</u>	<u>416</u>	<u>3,372</u>	<u>637</u>	<u>3,576</u>
Carrying amount analysed for reporting purposes as:						
Non-current	27	107	-	710	27	817
Current	-	-	416	3,372	416	3,372
	<u>27</u>	<u>107</u>	<u>416</u>	<u>4,082</u>	<u>443</u>	<u>4,189</u>

Note: Debt securities represented the carrying value of club debentures.

Notes to the Financial Statements

For the year ended 31st March, 2002

20. INVENTORIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Raw materials	–	427
Work in progress	–	153
Finished goods	560	4,436
	560	5,016

All of the inventories are carried at cost.

21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Costs incurred to date plus recognised profits less recognised losses	1,808	4,374
Less: Progress billings	(2,263)	(2,460)
	(455)	1,914
Represented by:		
Due from customers included in current assets	–	2,472
Due to customers included in current liabilities	(455)	(558)
	(455)	1,914



Notes to the Financial Statements

For the year ended 31st March, 2002

22. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows credit period ranging from 30 to 120 days to its trade customers.

The following is an aged analysis of trade debtors at 31st March, 2002:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0 – 60 days	14,893	4,071
61 – 90 days	99	1,149
Over 90 days	159	2,172
	<hr/>	<hr/>
	15,151	7,392
Other debtors, deposits and prepayments	6,802	4,727
	<hr/>	<hr/>
	21,953	12,119
	<hr/>	<hr/>

23. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors at 31st March, 2002:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0 – 60 days	10,763	3,040
61 – 90 days	736	339
Over 90 days	2,705	1,771
	<hr/>	<hr/>
	14,204	5,150
Other creditors and accrued expenses	4,589	15,272
	<hr/>	<hr/>
	18,793	20,422
	<hr/>	<hr/>



Notes to the Financial Statements

For the year ended 31st March, 2002

24. SECURED BANK BORROWINGS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Secured bank loans	174,996	156,696
The borrowings are repayable as follows:		
Within one year or on demand	170,919	–
More than one year, but not exceeding two years	109	156,696
More than two years, but not exceeding five years	346	–
More than five years	3,622	–
	174,996	156,696
Less: Amount due within one year shown under current liabilities	(170,919)	–
Amount due after one year	4,077	156,696



Notes to the Financial Statements

For the year ended 31st March, 2002

25. OBLIGATIONS UNDER A FINANCE LEASE

The maturity of obligations under a finance lease is as follows:

THE GROUP	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts payable under a finance lease:				
Within one year	-	107	-	92
In the second to fifth year inclusive	-	134	-	115
	-	241	-	207
Less: Future finance charges	-	(34)	-	-
Present value of lease obligations	-	207	-	207
Less: Amount due within one year shown under current liabilities			-	(92)
Amount due after one year			-	115

The Group leased a motor vehicle under a finance lease with a lease term of three years. The obligations under the finance lease were fully repaid during the year.

Notes to the Financial Statements

For the year ended 31st March, 2002

26. MINORITY INTERESTS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Loans from minority shareholders of a subsidiary	95,077	90,618
Share of net liabilities attributable to minority shareholders of subsidiaries	(97,794)	(87,912)
	(2,717)	2,706

The loans are unsecured, interest free and have no fixed terms of repayments.

The minority shareholders of the subsidiary have agreed to provide adequate funds to the subsidiary, on a pro rata basis, to meet in full its liabilities as they fall due and not to demand the repayment of the loans due to them until the subsidiary is in a financial position to do so. The minority shareholders have also agreed that any losses of the subsidiary attributable to them can be offset against the loans due to them. Accordingly, the amounts due from the minority shareholders in respect of their share of net liabilities has been recognised and offset against amounts due to them.

27. SHARE CAPITAL

	Number of shares		Amount	
	2002	2001	2002 HK\$'000	2001 HK\$'000
Shares of HK\$0.10 each				
Authorised:				
At beginning and end of the year	4,000,000,000	4,000,000,000	400,000	400,000
Issued and fully paid:				
At beginning of the year	1,951,993,121	1,758,943,121	195,199	175,894
Exercise of share options	1,760,000	–	176	–
Issue of new shares (note)	–	193,050,000	–	19,305
At end of the year	1,953,753,121	1,951,993,121	195,375	195,199

Note: During the year ended 31st March, 2001, 193,050,000 new shares of HK\$0.10 each in the Company were issued at a price of HK\$0.20 per share credited as fully paid as partial consideration for the acquisition of the entire issued share capital of Profit View Limited ("Profit View") for consideration of HK\$38,610,000. Profit View beneficially owns approximately 12.88% of the issued share capital of Value-Net Limited ("Value-Net"), an associate of the Group.

The new shares issued rank pari passu in all respects with the then existing shares.



Notes to the Financial Statements

For the year ended 31st March, 2002

28. SHARE OPTIONS

At 31st March, 2002, the following options to subscribe for shares were outstanding under the Company's share option scheme:

Date of grant	Exercise price per share HK\$	Number of shares to be issued upon exercise of the share options
30.4.1997	0.792	11,844,000
2.5.1997	0.825	480,000
19.6.1997	1.092	1,944,000
2.2.1998	0.100	611,000
25.11.1998	0.105	5,280,000
17.11.1999	0.117	290,000
20.12.1999	0.128	8,280,000
14.3.2000	0.330	12,440,000
26.8.2000	0.191	2,000,000
		<hr/>
		43,169,000

Notes to the Financial Statements

For the year ended 31st March, 2002

29. RESERVES

	Capital					Deficit	Total
	Share premium	redemption reserve	Translation reserve	General reserve	Special reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(note i)		
THE GROUP							
At 1st April, 2000	316,512	646	–	271	(8,908)	(135,589)	172,932
Premium arising on issue of shares	19,305	–	–	–	–	–	19,305
Expenses incurred in connection with issue of shares	(82)	–	–	–	–	–	(82)
Loss for the year	–	–	–	–	–	(156,418)	(156,418)
Transfer	–	–	–	918	–	(918)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2001	335,735	646	–	1,189	(8,908)	(292,925)	35,737
Exchange arising on translation of operations outside Hong Kong	–	–	80	–	–	–	80
Premium arising on issue of shares	9	–	–	–	–	–	9
Share of translation reserve of an associate	–	–	355	–	–	–	355
Share of translation reserve of a jointly controlled entity	–	–	971	–	–	–	971
Disposal of subsidiaries	–	–	(1,406)	(1,189)	–	–	(2,595)
Loss for the year	–	–	–	–	–	(59,019)	(59,019)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2002	335,744	646	–	–	(8,908)	(351,944)	(24,462)

At 31st March, 2001, the deficit of the Group included HK\$27,343,000 and HK\$4,454,000 retained by an associate and a jointly controlled entity, respectively. The associate and the jointly controlled entity were disposed of during the year.



Notes to the Financial Statements

For the year ended 31st March, 2002

29. RESERVES (Cont'd)

	Share premium	Capital redemption reserve	Contributed surplus	Deficit	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(note ii)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE COMPANY					
At 1st April, 2000	316,512	646	173,869	(311,119)	179,908
Premium arising on issue of shares	19,305	–	–	–	19,305
Expenses incurred in connection with issue of shares	(82)	–	–	–	(82)
Net loss for the year	–	–	–	(163,394)	(163,394)
At 31st March, 2001	335,735	646	173,869	(474,513)	35,737
Premium arising on issue of shares	9	–	–	–	9
Net loss for the year	–	–	–	(60,198)	(60,198)
At 31st March, 2002	335,744	646	173,869	(534,711)	(24,452)

Notes:

- (i) The special reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal amount of the share capital of the Company issued as consideration under the group reorganisation in 1994.
- (ii) The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company at the date of the group reorganisation less any dividends distributed from the pre-reorganisation reserves and the nominal amount of the Company's share capital issued as consideration for the acquisition.

In addition to the retained profits of the Company, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

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

In the opinion of the directors, the Company has no reserves available for distribution to shareholders as at 31st March, 2002 and 31st March, 2001.

Notes to the Financial Statements

For the year ended 31st March, 2002

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

	2002 HK\$'000	2001 HK\$'000
Loss before taxation	(60,791)	(158,082)
Share of results of associates	(6,289)	29,642
Share of results of a jointly controlled entity	17,614	258
Interest expenses	54	7
Interest income	(2,827)	(3,598)
Dividend income from listed investments in securities	(71)	(89)
Dividend income from unlisted investments in securities	(93)	(1,389)
Depreciation and amortisation	929	1,323
Amortisation of goodwill	–	31,657
Recognition of negative goodwill	(6,173)	(7,829)
Doubtful debts (recovered) written off	(1,797)	2,077
Loss on disposal of property, plant and equipment	1,898	14
Loss on disposal of investment properties	1,331	–
Deficit arising on revaluation of investment properties	2,500	10,370
Loss on disposal of investments in securities	1,008	108
Impairment loss recognised in respect of properties under development	21,843	13,204
Impairment loss recognised in respect of leasehold properties	3,600	–
Impairment loss recognised in respect of construction in progress	–	3,681
Impairment loss recognised in respect of an associate and related goodwill	–	61,892
Impairment loss recognised in respect of investment securities	–	772
Gain on disposal of associates	–	(8)
Loss on disposal of subsidiaries	11,373	–
Unrealised holding loss on other investments	95	2,299
Decrease (increase) in inventories	2,495	(845)
(Increase) decrease in debtors, deposits and prepayments	(9,869)	11,502
Increase (decrease) in creditors and accrued charges	110	(3,698)
Increase (decrease) in net amounts due to customers for contract work	2,369	(9,129)
	<hr/>	<hr/>
Net cash outflow from operating activities	(20,691)	(15,861)



Notes to the Financial Statements

For the year ended 31st March, 2002

31. DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of:		
Property, plant and equipment	5,082	—
Interest in a jointly controlled entity	118,312	—
Interest in an associate	24,296	—
Investments in securities	310	—
Inventories	1,997	—
Debtors, deposits and prepayments	1,866	—
Bank balances and cash	2,384	—
Other loans	(60,000)	—
Creditors and accrued charges	(2,174)	—
Taxation	(43)	—
Minority interests	(505)	—
	<u>91,525</u>	—
Attributable negative goodwill	(43,780)	—
Translation reserve realised	(1,406)	—
General reserve realised	(1,189)	—
	<u>45,150</u>	—
Loss on disposal of subsidiaries	(11,373)	—
	<u>33,777</u>	—
Total consideration	<u>33,777</u>	—
Satisfied by:		
Cash	<u>33,777</u>	—
Net cash inflow arising on disposal:		
Cash consideration	33,777	—
Bank balances and cash disposed of	(2,384)	—
	<u>31,393</u>	—

Notes to the Financial Statements

For the year ended 31st March, 2002

31. DISPOSAL OF SUBSIDIARIES (Cont'd)

The subsidiaries disposed of during the year contributed HK\$6,700,000 to the Group's net operating cash outflows, received HK\$183,000 in respect of the net returns on investments and servicing of finance, paid HK\$50,000 in respect of taxation, received HK\$35,423,000 from investing activities and paid HK\$30,911,000 in respect of financing activities.

The subsidiaries disposed of during the year contributed approximately HK\$3,459,000 (2001: HK\$7,661,000) to the Group's turnover and a loss of approximately HK\$20,640,000 (2001: HK\$8,493,000) to the Group's results from operations.

32. ACQUISITION OF A SUBSIDIARY

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Net assets acquired:		
Interest in associates	-	3,537
Goodwill on acquisition	-	35,235
	<u>-</u>	<u>38,772</u>
Satisfied by:		
Issue of shares	-	38,610
Expenses paid in connection with the acquisition	-	162
	<u>-</u>	<u>38,772</u>

Analysis of outflow of cash and cash equivalents in connection with the acquisition of a subsidiary:

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Expenses paid in connection with the acquisition	<u>-</u>	<u>162</u>

The subsidiary acquired during the year ended 31st March, 2001 did not have significant impact on the Group's cash flows.



Notes to the Financial Statements

For the year ended 31st March, 2002

33. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium	Bank loans	Other loans	Minority interests	Obligations under a finance lease
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April, 2000	492,406	150,000	–	8,041	–
Issue of shares	38,610	–	–	–	–
Expenses incurred in connection with issue of shares	(82)	–	–	–	–
New borrowings raised	–	6,696	–	–	–
Inception of a finance lease	–	–	–	–	281
Repayment	–	–	–	–	(74)
Advance from minority shareholders	–	–	–	700	–
Loss attributable to minority shareholders	–	–	–	(6,035)	–
	<u>530,934</u>	<u>156,696</u>	<u>–</u>	<u>2,706</u>	<u>207</u>
At 31st March, 2001	530,934	156,696	–	2,706	207
Exchange arising on translation of operations outside Hong Kong	–	–	–	–	(2)
Issue of shares	185	–	–	–	–
New borrowings raised	–	18,300	60,000	–	–
Advance from minority shareholders	–	–	–	4,459	–
Repayment	–	–	–	–	(205)
Minority share of translation reserve	–	–	–	9	–
Disposal of subsidiaries	–	–	(60,000)	(505)	–
Loss attributable to minority shareholders	–	–	–	(9,386)	–
	<u>531,119</u>	<u>174,996</u>	<u>–</u>	<u>(2,717)</u>	<u>–</u>
At 31st March, 2002	531,119	174,996	–	(2,717)	–

Notes to the Financial Statements

For the year ended 31st March, 2002

34. CONTINGENT LIABILITIES

At 31st March, 2002, the Group had given an indemnity to the purchaser relating to unrecorded taxation liabilities, if any, and warranties relating to the affairs and businesses of a subsidiary disposed of in the previous year. The maximum aggregate liability of the Group in respect of all claims for breach of the warranties shall, when taken together with the aggregate liability of the Group in respect of all claims under the indemnity, not exceed the sum of HK\$60,000,000 (2001: HK\$60,000,000). All related claims may be brought against the Group up to the expiry of 10 years from 31st March, 1998.

At 31st March, 2002, the Company had outstanding corporate guarantees amounting to approximately HK\$123,400,000 (2001: HK\$201,600,000) issued in favour of banks to secure general banking facilities granted by the banks to its subsidiaries.

35. LITIGATION

On 13th July, 2001, a writ of summons (the "Writ") was filed to the High Court in Hong Kong against Mr. Cheng Yuk Kuen, David ("Mr. Cheng") in relation to the Group's investment in Value-Net.

As stated in the Writ, inter alia, on 17th February, 2000 and 2nd May, 2000, Cheung Tai Hong Holdings (Technology) Limited ("CTHHTL"), a wholly-owned subsidiary of the Company, entered into sale and purchase agreements (the "Agreements") with Mr. Cheng to acquire from Mr. Cheng the respective entire issued share capital of Sunray Power Limited and Profit View for a total consideration of HK\$89,910,000. The principal asset of these companies is their combined 30% interest in the issued share capital of Value-Net. After completion of the Agreements, CTHHTL indirectly holds a 30% interest in the issued share capital of Value-Net, which consequently became an associate of the Group. Under the Agreements, Mr. Cheng irrevocably guaranteed to CTHHTL that the consolidated profit of Value-Net, after taxation and minority interest but before exceptional and extraordinary items (the "Net Profit"), for the financial year ended 31st March, 2001 would not be less than HK\$16,000,000. Pursuant to the Agreements, CTHHTL has an option by serving written notice on Mr. Cheng requiring Mr. Cheng to purchase the entire issued share capital of Sunray Power Limited and Profit View from CTHHTL at the option price of HK\$89,910,000 in the event that the Net Profit is less than HK\$16,000,000.

In March 2002, the court has issued a judgement against Mr. Cheng for loss and damages in the amount of HK\$89,910,000 for breaching of the Agreements. Up to the report date, the management of the Company still has difficulty in locating Mr. Cheng and is not certain that the amount can be fully recovered and accordingly, the amount has not been recognised in the financial statements.



Notes to the Financial Statements

For the year ended 31st March, 2002

36. CAPITAL COMMITMENTS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Capital commitments contracted for but not provided in the financial statements:		
For property development projects	39,087	2,592
For acquisition of property, plant and equipment	8,550	–
For acquisition of medicine production technology	–	741
	<u>47,637</u>	<u>3,333</u>

Capital commitments authorised but not contracted for:

For property development projects	<u>–</u>	<u>57,794</u>
-----------------------------------	----------	---------------

In addition to the above, the Group's share of the capital commitments of its jointly controlled entity are as follows:

Commitments contracted for but not provided in the financial statements of the jointly controlled entity:

	2002 HK\$'000	2001 HK\$'000
For property development projects	<u>–</u>	<u>90,000</u>

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

Notes to the Financial Statements

For the year ended 31st March, 2002

37. OPERATING LEASE COMMITMENTS

The Group and the Company as lessee

Minimum lease payments paid under operating leases for premises during the year was approximately HK\$1,779,000 (2001: HK\$2,146,000).

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

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	<u>510</u>	<u>1,655</u>	<u>-</u>	<u>1,261</u>

Operating lease payments represent rentals payable by the Group and the Company for certain of its office properties. Leases are negotiated and fixed for an average term of one year.

The Group as lessor

Property rental income earned during the year was approximately HK\$1,458,000 (2001: HK\$2,182,000).

The investment property is expected to generate rental yields of 4% on an ongoing basis and the Group has committed tenant for the next year.

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	<u>706</u>	<u>1,351</u>
In the second to fifth year inclusive	<u>480</u>	<u>243</u>
	<u>1,186</u>	<u>1,594</u>



Notes to the Financial Statements

For the year ended 31st March, 2002

38. PLEDGE OF ASSETS

At 31st March, 2002, the Group's bank borrowings were secured by the following:

- (a) legal charges over properties under development of the Group with carrying values of approximately HK\$171,091,000 (2001: HK\$160,000,000);
- (b) a share charge of a subsidiary, Master Super Development Limited ("Master Super");
- (c) bank deposits of HK\$5,000,000 (2001: HK\$10,894,000);
- (d) a floating charge on all the assets, including but not limited to the uncalled capital, of Master Super;
- (e) assignments of the right, title, interest and benefits in and under all the existing and future building contracts in respect of the Group's properties under development held in Hong Kong;
- (f) the benefit under all insurance policies of the Group's properties under development held in Hong Kong;
- (g) the future sales proceeds, rentals and other earnings generated from the Group's properties under development;
- (h) subordination of shareholders' loans of Master Super; and
- (i) investment properties of the Group, together with the rental income receivable from letting of the investment properties, with carrying value of approximately HK\$24,500,000 (2001: HK\$20,000,000).

At 31st March, 2001, the Group's bank borrowings were also secured by legal charges over certain leasehold land and buildings of the Group with carrying values of HK\$9,264,000. The pledge of these properties were released during the year.

Notes to the Financial Statements

For the year ended 31st March, 2002

39. RELATED PARTY TRANSACTIONS

- (a) During the year, Master Super, a 60% owned subsidiary, obtained shareholders' loans from the Group and two shareholder companies controlled by Mr. Wong Chun Hong ("Mr. Wong"), an ex-director of the Company. At 31st March, 2002, the outstanding balance of the loans from the Group and the shareholder companies amounting to approximately HK\$142,616,000 (2001: HK\$135,926,000) and HK\$95,077,000 (2001: HK\$90,618,000) respectively.

The loans are unsecured, interest free, repayable on demand and made on a pro rata basis with reference to the equity holding in Master Super. Details of the balance of the loans advanced by the above shareholder companies as at 31st March, 2002 are set out in note 26.

In addition, Mr. Wong and the Company have given guarantees amounting to HK\$194,000,000 (2001: HK\$194,000,000) in favour of a bank to secure banking facilities granted to Master Super. The guarantees were given on a pro rata basis with reference to the equity holding in Master Super and without consideration.

- (b) During the year, Cheung Tai Hong Holdings (Property) Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Master Super to purchase a commercial unit in Talon Centre, Sheung Wan at a consideration of HK\$9,500,000. During the year, a deposit of HK\$950,000 has been paid to Master Super.
- (c) In April 1999, the Group entered into a lease agreement with Mr. Lee Sai Kai, David ("Mr. Lee"), an ex-director of the Company, under which an investment property of the Group was leased to Mr. Lee for a period of three years commencing 1st August, 1999 for a monthly rental of HK\$17,000 exclusive of rates and management fee. The rental income received by the Group during the year amounting to HK\$204,000 (2001: HK\$204,000).

In November 2001, the Group entered into a new lease agreement with Mr. Lee for the lease of the same premises for a period of 2 years commencing 1st August, 2002 for a monthly rent of HK\$30,000 exclusive of rates and management fee.

The rental was negotiated and agreed by both parties by reference to prevailing market rates.

- (d) During the year ended 31st March, 2001, the Group entered into a lease agreement with a related company, 祥泰信息諮詢(深圳)有限公司, a company in which Mr. Wong has a beneficial interest. Under the lease agreement, an investment property of the Group situated outside Hong Kong was leased to the related company for a period of two years commencing 15th December, 2000 for a monthly rental of approximately HK\$4,000. On 10th July, 2001, the lease agreement was terminated by mutual consent of both parties. The rental income received by the Group during the year amounting to HK\$15,000 (2001: HK\$12,000). The rental was negotiated by reference to prevailing market rates.



Notes to the Financial Statements

For the year ended 31st March, 2002

39. RELATED PARTY TRANSACTIONS (Cont'd)

- (e) During the year ended 31st March, 2001, the Group entered into agreement with Mr. Wong to dispose of its 50% interest in an associate, Shenzhen Hong Kong Real Estates Exchange Services Limited, for a cash consideration of HK\$5,000. The gain on disposal of the associate amounted to approximately HK\$180,000. The transaction was carried out according to the terms of the agreement entered into.
- (f) At 31st March, 2001, the amount due from an associate was non-interest bearing and amount due from a jointly controlled entity was interest-bearing at prevailing market rate. During the year ended 31st March, 2002, the interest income received from the jointly controlled entity amounting to approximately HK\$97,000 (2001: nil).

40. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution retirement benefits scheme for eligible employees. The assets of the scheme are separately held in funds under the control of trustees.

The cost charged to the consolidated income statement represents contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet dates, the Group had no significant forfeited contributions, which arose upon employees leaving the pension scheme and which are available to reduce the contributions payable by the Group in the future years.

With effect from 1st December, 2000, the Group has also joined a Mandatory Provident Fund Scheme ("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 Scheme 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 of MPF Scheme is to make the required contributions under the scheme. The contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

Notes to the Financial Statements

For the year ended 31st March, 2002

41. POST BALANCE SHEET EVENT

On 28th May, 2002, arrangements were made for a private placement to independent investors of 390,000,000 new shares of the Company of HK\$0.10 each at a placing price of HK\$0.10 per share, representing a discount of approximately 3.9% to the closing market price of the Company's shares on 27th May, 2002. The net proceeds of approximately HK\$20 million would be used to finance the development of the Group's property in Hong Kong and the balance of approximately HK\$18 million would be used as general working capital. These shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 28th September, 2001.

42. SUBSIDIARIES

Particulars of the Company's subsidiaries at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/registered capital	Percentage of issued share/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Cheung Tai Hong (B.V.I.) Limited	British Virgin Islands	US\$50,000 ordinary shares	100	–	Investment holding
Cheung Tai Hong (China) Limited	Hong Kong	HK\$2 ordinary shares	–	100	Trading of motorcycles and spare parts
Cheung Tai Hong Holdings (Foods) Limited	Hong Kong	HK\$2 ordinary shares	–	100	Inactive
Cheung Tai Hong Holdings (Pharmacy) Limited	Hong Kong	HK\$2 ordinary shares	–	100	Inactive
Cheung Tai Hong Holdings (Property) Limited	Hong Kong	HK\$10,000,000 ordinary shares	–	100	Investment holding



Notes to the Financial Statements

For the year ended 31st March, 2002

42. SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/registered capital	Percentage of issued share/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Cheung Tai Hong Holdings (REA) Limited	Hong Kong	HK\$2 ordinary shares	–	60	Provision of sales and marketing services
CTHHTL	Hong Kong	HK\$2 ordinary shares	–	100	Investment holding and property investment
Cheung Tai Hong, Limited	Hong Kong	HK\$2,000 ordinary shares	–	100	Investment holding
		HK\$500,000 non-voting deferred shares (note)	–	–	
Fountain Property Limited	Hong Kong	HK\$2 ordinary shares	–	100	Property investment
Green Magic Limited	British Virgin Islands/ Hong Kong	US\$1 ordinary share	–	100	Property investment
King-Tech Engineering Company Limited	Hong Kong	HK\$2 ordinary shares	–	100	Sale of air conditioning equipment and provision of engineering related services
		HK\$3,500,000 non-voting deferred shares (note)	–	–	

Notes to the Financial Statements

For the year ended 31st March, 2002

42. SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/registered capital	Percentage of issued share/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
King-Tech International Holdings Limited	Hong Kong	HK\$2 ordinary shares	–	100	Investment holding
Cheung Tai Hong Holdings (Motor Vehicle) Limited (Formerly known as King-Tech Technologies Limited)	Hong Kong	HK\$10,000 ordinary shares	–	100	Inactive
Master Super	Hong Kong	HK\$100 ordinary shares	–	60	Property development
Pacific King Limited	British Virgin Islands	US\$1 ordinary shares	–	100	Investment holding
Profit View	British Virgin Islands	US\$1 ordinary share	–	100	Investment holding
Sound Advice Investments Limited	British Virgin Islands	US\$100 ordinary shares	–	100	Investment holding
Sunray Power Limited	British Virgin Islands	US\$1 ordinary share	–	100	Investment holding
Toppan Limited	British Virgin Islands/ Hong Kong	US\$1 ordinary share	–	100	Property investment

Note: The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

None of the subsidiaries had any debit securities outstanding at the balance sheet date or at any time during the year.



Notes to the Financial Statements

For the year ended 31st March, 2002

43. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- | | | |
|----------------------------|---|---|
| Air conditioning equipment | – | trading of air conditioning equipment and provision of engineering related services |
| Motorcycles | – | trading of motorcycles and spare parts |
| Property | – | property investment and development |
| Pharmaceutical | – | manufacture of pharmaceutical products, medicine and nutrients |

In November 2001, the business of manufacturing of pharmaceutical products, medicine and nutrients was disposed of.

Notes to the Financial Statements

For the year ended 31st March, 2002

43. SEGMENT INFORMATION (Cont'd)

Segment information about these businesses is presented below:

2002

	Continuing operations			Discontinued operations	Consolidated HK\$'000
	Air conditioning equipment HK\$'000	Motorcycles HK\$'000	Property HK\$'000	Pharmaceutical HK\$'000	
INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2002					
REVENUE					
External sales	29,749	9,959	1,458	3,459	44,625
Segment results	1,254	(516)	(27,390)	(894)	(27,546)
Unallocated corporate expenses					(16,666)
Recognition of negative goodwill					6,173
Loss from operations					(38,039)
Finance costs					(54)
Share of results of an associate					6,289
Share of results of a jointly controlled entity					(17,614)
Loss on disposal of subsidiaries					(11,373)
Loss before taxation					(60,791)
Taxation					(7,614)
Loss before minority interests					(68,405)
Minority interests					(9,386)
Loss for the year					(59,019)



Notes to the Financial Statements

For the year ended 31st March, 2002

43. SEGMENT INFORMATION (Cont'd)

2002 (Cont'd)

	Continuing operations			Discontinued operations		Consolidated HK\$'000
	Air conditioning equipment HK\$'000	Motorcycles HK\$'000	Property HK\$'000	Pharmaceutical HK\$'000	Unallocated HK\$'000	
BALANCE SHEET						
AT 31ST MARCH, 2002						
ASSETS						
Segment assets	16,614	2,191	203,738	177		222,720
Unallocated corporate assets						139,720
Consolidated total assets						362,440
LIABILITIES						
Segment liabilities	8,472	497	185,022	3		193,994
Unallocated corporate liabilities						250
Consolidated total liabilities						194,244
OTHER INFORMATION						
Capital additions	5	1,200	-	202	623	2,030
Depreciation and amortisation	26	7	-	146	750	929
Impairment loss recognised in respect of properties under development	-	-	21,843	-	-	21,843
Impairment loss recognised in respect of leasehold properties	-	-	-	-	3,600	3,600
Recognition of negative goodwill	-	-	(6,173)	-	-	(6,173)

Notes to the Financial Statements

For the year ended 31st March, 2002

43. SEGMENT INFORMATION (Cont'd)

2001

	Continuing operations				Discontinued operations	Consolidated HK\$'000
	Air conditioning equipment HK\$'000	Motorcycles HK\$'000	Property HK\$'000	Other HK\$'000	Pharmaceutical HK\$'000	
INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2001						
REVENUE						
External sales	28,851	8,517	2,182	1,612	7,661	<u>48,823</u>
Segment results	<u>8,103</u>	<u>8</u>	<u>(30,124)</u>	<u>(125)</u>	<u>(6,968)</u>	(29,106)
Unallocated corporate expenses						(13,357)
Amortisation of goodwill						(31,657)
Recognition of negative goodwill						<u>7,829</u>
Loss from operations						(66,291)
Finance costs						(7)
Share of results of associates						(29,642)
Impairment loss recognised in respect of an associate and related goodwill						(61,892)
Share of results of a jointly controlled entity						(258)
Gain on disposal of associates						<u>8</u>
Loss before taxation						(158,082)
Taxation						<u>(4,371)</u>
Loss before minority interests						(162,453)
Minority interests						<u>(6,035)</u>
Loss for the year						<u>(156,418)</u>



Notes to the Financial Statements

For the year ended 31st March, 2002

43. SEGMENT INFORMATION (Cont'd)

2001 (Cont'd)

	Continuing operations				Discontinued operations	Consolidated HK\$'000
	Air conditioning equipment HK\$'000	Motorcycles HK\$'000	Property HK\$'000	Other HK\$'000	Pharmaceutical HK\$'000	
BALANCE SHEET						
AT 31ST MARCH, 2001						
ASSETS						
Segment assets	15,082	606	288,786	1,029	11,350	316,853
Unallocated corporate assets						94,766
Consolidated total assets						<u>411,619</u>
LIABILITIES						
Segment liabilities	8,108	–	162,371	–	3,099	173,578
Unallocated corporate liabilities						4,399
Consolidated total liabilities						<u>177,977</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

43. SEGMENT INFORMATION (Cont'd)

2001 (Cont'd)

	Continuing operations			Discontinued operations		Consolidated HK\$'000
	Air conditioning equipment HK\$'000	Motorcycles HK\$'000	Property HK\$'000	Pharmaceutical HK\$'000	Unallocated HK\$'000	
OTHER INFORMATION						
Capital additions	–	18	–	1,918	35,530	37,466
Depreciation and amortisation	45	–	–	5,567	27,368	32,980
Impairment loss recognised in respect of an associate and related goodwill	–	–	–	–	61,892	61,892
Impairment loss recognised in respect of properties under development	–	–	13,204	–	–	13,204
Impairment loss recognised in respect of construction in progress	–	–	–	3,681	–	3,681
Impairment loss recognised in respect of investment securities	–	–	–	–	772	772
Recognition of negative goodwill	–	–	(7,829)	–	–	(7,829)



Notes to the Financial Statements

For the year ended 31st March, 2002

43. SEGMENT INFORMATION (Cont'd)

Geographical segments

The Group's operations are principally located in Hong Kong and the PRC. The Group's administrative function was carried out in Hong Kong and the PRC and manufacturing function was carried out in the PRC.

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

	Sales revenue by geographical market		Loss from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	11,268	12,144	(35,916)	(26,485)
PRC	33,357	36,679	5,120	(29,118)
	44,625	48,823	(30,796)	(55,603)
Corporate expenses			(7,243)	(10,688)
Loss from operations			(38,039)	(66,291)

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

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	344,682	267,940	628	594
PRC	17,758	143,679	1,402	36,872
	362,440	411,619	2,030	37,466