

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and its ultimate holding company is Dynamic Sunrise Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding company while the Group is engaged in the provision of travel related services including sales of airline tickets, the operation of a restaurant and the provision of transportation related services including direct shipment, transshipment, drayage of cargo and charter hiring of vessels.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis because the directors, after giving careful consideration to the future liquidity of the Group in the light of the Group's net current liabilities of approximately HK\$26,614,000 are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

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

In the current year, the Group has adopted for the first time the following new or revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants.

SSAP 14 (Revised)	Leases
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets

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 4. In addition, the new or 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 re-stated in order to achieve a consistent presentation.

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

### 3. ADOPTION OF NEW OR REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(continued)*

#### *Leases*

Disclosures of all of the Group's leasing arrangements have been modified so as to comply with SSAP 14 (Revised). Comparative amounts and disclosure have been re-stated in order to achieve a consistent presentation as required under SSAP 14 (Revised).

#### *Provision, contingent liabilities and contingent assets*

Adoption of SSAP 28 "Provisions, contingent liabilities and contingent assets" has led to the derecognition of certain provisions totalling approximately HK\$2 million, which was credited to cost of services during the year.

#### *Goodwill*

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected not to re-state goodwill (negative goodwill) previously eliminated against (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.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life.

### 4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, land and buildings, tug boats, barges and vessels, and 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.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### *Basis of consolidation (continued)*

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.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

#### *Goodwill and negative goodwill*

Goodwill and negative goodwill arising on consolidation represents the excess or shortfall of the purchase consideration over the fair value of the Group's share of the identifiable separable net assets at the date of acquisition of subsidiaries or associates.

Goodwill arising on acquisitions prior to 1st April, 2001 continue to be held in reserves. Goodwill 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 estimated useful life, but not exceeding twenty years. Goodwill arising on acquisition of an associate is included in the carrying amount of the associate. Goodwill arising on the acquisition of a subsidiary is presented separately on the balance sheet. Negative goodwill arising on acquisition of a subsidiary 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. Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill/negative goodwill, or goodwill/negative goodwill previously eliminated against (credited) to reserves is included in the determination of the profit or loss on disposal.

#### *Investments in subsidiaries*

Investments in subsidiaries are stated at cost less any identified impairment loss.

#### 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### *Interests in associates*

Associates are enterprises over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year and the consolidated balance sheet includes the Group's share of the net assets of the associates, less any identified impairment loss.

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

##### *Revenue recognition*

Service income is recognised when the services are provided.

Vessel charterhire income is recognised on a straight line basis over the charterhire period.

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

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

##### *Leases*

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the Group. Assets held under finance leases are capitalised at their fair values at the date of inception of the lease. The outstanding principal portion of the leasing commitment is shown as an obligation of the Group. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, is charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

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

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 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 annual professional valuation 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 on a portfolio basis, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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

No depreciation is provided in respect of investment properties which are held on leases with unexpired terms of more than 20 years.

### *Property, plant and equipment*

Property, plant and equipment are stated at cost or valuation less depreciation and amortisation and any identified impairment loss at the balance sheet date.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### *Property, plant and equipment (continued)*

Land and buildings, tug boats, barges and vessels are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent depreciation and amortisation and any identified impairment loss. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any surplus arising on revaluation of tug boats, barges and vessels is credited to the asset revaluation reserve, whereas surplus arising on revaluation of land and buildings is credited to the other property revaluation reserve, except to the extent that the surplus reverses a revaluation decrease of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that particular asset. On the subsequent disposal or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

The valuation of leasehold land is amortised over the period of the lease using the straight line method.

The valuation of buildings is depreciated over 25 years or over the period of the lease, if shorter, using the straight line method.

Depreciation is provided to write off the cost or valuation of other property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Tug boats, barges and vessels	7.7% – 33 <sup>1</sup> / <sub>3</sub> %
Containers	8 <sup>1</sup> / <sub>3</sub> % – 33 <sup>1</sup> / <sub>3</sub> %
Furniture, fixtures and office equipment	20% – 50%
Leasehold improvements	20% – 50%
Machinery and equipment	20% – 30%
Motor vehicles	20% – 30%
Tractors and trailers	20% – 30%
Yacht	20%

Assets held under finance leases are depreciated on the same basis as assets owned by the Group or over the period of the leases, if shorter.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### *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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### *Taxation*

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes 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 under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

### *Foreign currencies*

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

On consolidation, the financial statements of overseas operations are translated at the rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with in reserves.

## 5. SEGMENTS INFORMATION

### *(a) Business segments*

The Group's main business segments comprise provision of travel related services including sales of airline tickets, operation of a restaurant and the provision of transportation related services including direct shipment, transshipment, drayage of cargo and charter hiring of vessels.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 5. SEGMENTS INFORMATION *(continued)*

#### *(a) Business segments (continued)*

Business segments are presented as the primary reporting format and geographical segments as the secondary reporting format.

Analysis of the Group's business segmental information is as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Turnover		
– travel related services	<b>14,268</b>	13,677
– operation of a restaurant	<b>13,258</b>	18,656
– transportation related services	<b>1,251</b>	153,622
	<b><u>28,777</u></b>	<u>185,955</u>
Results		
– travel related services	<b>(2,518)</b>	(581)
– operation of a restaurant	<b>(2,271)</b>	(705)
– transportation related services	<b>(80,899)</b>	(99,082)
	<b>(85,688)</b>	(100,368)
Provision for advances to associates	<b>(34,871)</b>	–
Central administrative expenses	<b>(13,095)</b>	(960)
Loss from operations	<b>(133,654)</b>	(101,328)
Finance costs	<b>(2,971)</b>	(5,868)
Loss on disposal/dissolution of associates	–	(1,337)
Share of losses of associates	–	(345)
Loss before taxation	<b>(136,625)</b>	(108,878)
Taxation	<b>256</b>	(712)
Net loss for the year	<b><u>(136,369)</u></b>	<u>(109,590)</u>



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 5. SEGMENTS INFORMATION *(continued)*

### (a) *Business segments (continued)*

#### Segment assets and liabilities

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<b>ASSETS</b>		
Segment assets		
– travel related services	<b>1,487</b>	2,864
– operation of a restaurant	<b>975</b>	1,248
– transportation related services	<b>75,861</b>	162,140
	<b>78,323</b>	166,252
Interests in associates	–	34,855
Unallocated corporate assets	<b>26,977</b>	3,979
	<b>105,300</b>	205,086
<b>LIABILITIES</b>		
Segment liabilities		
– travel related services	<b>1,159</b>	521
– operation of a restaurant	<b>2,326</b>	1,999
– transportation related services	<b>27,849</b>	39,163
	<b>31,334</b>	41,683
Unallocated corporate liabilities	<b>29,041</b>	10,602
	<b>60,375</b>	52,285

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 5. SEGMENTS INFORMATION (continued)

#### (a) Business segments (continued)

Other information	Year ended 31st March, 2002				Total HK\$'000
	Travel related services HK\$'000	Operation of a restaurant HK\$'000	Transporta- tion related services HK\$'000	Unallocated corporate section HK\$'000	
Capital expenditure	–	26	–	13	39
Depreciation and amortisation	16	40	15,493	1,100	16,649
Impairment loss and revaluation deficit	530	1,671	54,322	1,436	57,959
Provision for bad and doubtful debts	1,157	75	3,440	78	4,750
Provision for advances to associates	–	–	–	34,871	34,871

Other information	Year ended 31st March, 2001				Total HK\$'000
	Travel related services HK\$'000	Operation of a restaurant HK\$'000	Transporta- tion related services HK\$'000	Unallocated corporate section HK\$'000	
Capital expenditure	8	18	6,340	1,554	7,920
Depreciation and amortisation	18	53	32,192	1,297	33,560
Impairment loss and revaluation deficit	–	–	9,218	475	9,693
Provision for bad and doubtful debts	239	–	20,364	1,000	21,603

#### (b) Geographical segments

The Group's operations are principally carried out in Guangdong Province of the Mainland China, Taiwan and Hong Kong.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 5. SEGMENTS INFORMATION (continued)

#### (b) Geographical segments (continued)

- (i) An analysis of the Group's turnover and loss from operations by location of operations is as follows:

	Turnover		Loss from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guangdong Province of the Mainland China	1,251	90,861	(56,669)	(67,294)
Taiwan	–	62,761	(20,477)	(31,788)
Hong Kong	27,526	32,333	(8,542)	(1,286)
	<u>28,777</u>	<u>185,955</u>	<u>(85,688)</u>	<u>(100,368)</u>
Provision for advances to associates			(34,871)	–
Central administrative expenses			(13,095)	(960)
Loss from operations			<u>(133,654)</u>	<u>(101,328)</u>

- (ii) An analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical areas in which the assets are located is as follows:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guangdong Province of the Mainland China	74,523	136,417	–	2,500
Taiwan	–	22,553	–	–
Hong Kong	30,777	46,116	39	5,420
	<u>105,300</u>	<u>205,086</u>	<u>39</u>	<u>7,920</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 6. IMPAIRMENT LOSS AND REVALUATION DEFICIT

	2002 HK\$'000	2001 HK\$'000
Impairment loss and revaluation deficit comprise:		
Impairment loss in respect of		
– goodwill attributable to subsidiaries acquired in prior years	(2,698)	–
– containers	(27,734)	–
– a vessel	–	(2,400)
– others	(1,241)	–
	<u>(31,673)</u>	<u>(2,400)</u>
Deficit arising on revaluation of		
– investment properties	(588)	(1,175)
– tug boats, barges and vessels	(25,665)	(5,788)
– land and buildings	(33)	(330)
	<u>(26,286)</u>	<u>(7,293)</u>
	<u><b>(57,959)</b></u>	<u><b>(9,693)</b></u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 7. LOSS FROM OPERATIONS

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs	<b>12,859</b>	37,515
Retirement benefits scheme contributions, net of negligible amount of forfeited contributions (2001: HK\$322,000)	<b>484</b>	(93)
Total staff costs (including directors' emoluments)	<b>13,343</b>	37,422
Auditors' remuneration	<b>680</b>	800
Depreciation and amortisation of property, plant and equipment		
– owned by the Group	<b>15,589</b>	29,271
– held under finance leases	<b>1,060</b>	4,289
Loss on disposal of property, plant and equipment other than vessels and containers	<b>910</b>	–
Operating lease rentals in respect of		
– land and buildings	<b>1,865</b>	4,829
– vessels and containers	–	10,014
and after crediting:		
Derecognition of provisions	<b>2,050</b>	–
Gain on disposal of a subsidiary	<b>5</b>	–
Gain on disposal of property, plant and equipment other than vessels and containers	–	2,446
Gross rental income on investment properties before deduction of negligible amount of outgoings (2001: HK\$23,000)	<b>894</b>	916
Interest income	<b>68</b>	504
Vessel charterhire income	<b>357</b>	16,973

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 8. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on		
– bank and other borrowings wholly repayable within five years	(2,425)	(4,856)
– finance leases	(546)	(1,012)
	<u>(2,971)</u>	<u>(5,868)</u>

### 9. DIRECTORS' EMOLUMENTS

	2002 HK\$'000	2001 HK\$'000
Directors' fees		
– executive	120	120
– independent non-executive	240	290
	<u>360</u>	<u>410</u>
Other emoluments (executive directors)		
– salaries and other benefits	1,217	1,844
– retirement benefits scheme contributions	8	5
	<u>1,225</u>	<u>1,849</u>
Total directors' emoluments	<u>1,585</u>	<u>2,259</u>

The emoluments of the directors were within the following bands:

	2002 Number of directors	2001 Number of directors
Nil to HK\$1,000,000	9	10
HK\$1,000,001 – HK\$1,500,000	<u>1</u>	<u>1</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 10. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals for the year included one (2001: one) executive director of the Company, whose emoluments are included in note 9 above. The aggregate emoluments of the remaining four (2001: four) highest paid individuals are as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Salaries and other benefits	<b>1,731</b>	2,156
Retirement benefits scheme contributions	<b>54</b>	6
	<b><u>1,785</u></b>	<b><u>2,162</u></b>

None of the emoluments of the employees was in excess of HK\$1 million.

During the year, 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. In addition, no director waived any emoluments during the year.

### 11. TAXATION

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
The credit (charge) comprises:		
Hong Kong Profits Tax calculated at 16% on the estimated assessable profit for the year	—	(606)
Mainland China income tax	—	(14)
Deferred taxation	<b>256</b>	(92)
	<b><u>256</u></b>	<b><u>(712)</u></b>

No provision for Hong Kong Profits Tax has been made in the financial statements in 2002 as the Group had no assessable profit for the year.

Income tax in the Mainland China (the "PRC"), is calculated at the rates pursuant to the relevant laws and regulations in the PRC.

### 12. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$136,369,000 (2001: HK\$109,590,000) and on the weighted average of 1,810,406,171 (2001: 1,542,342,886) shares in issue during the year.

The computation of diluted loss per share amount does not assume the exercise of the potential shares outstanding during the year as their exercise would have reduced the loss per share.

### 13. INVESTMENT PROPERTIES

	<b>THE GROUP</b> HK\$'000
At 1st April, 2000	14,693
Deficit arising on revaluation	<u>(1,175)</u>
At 31st March, 2001	13,518
Deficit arising on revaluation	<u>(588)</u>
At 31st March, 2002	<u><u>12,930</u></u>

The Group's investment properties which are situated in Macau are held under a medium-term lease and are held for use under operating leases. These property interests were revalued at 31st March, 2002 by BMI Appraisals Limited, an independent firm of valuers, on an open market value basis. The deficit arising on revaluation has been charged to the income statement.



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 14. PROPERTY, PLANT AND EQUIPMENT

	Tug boats, barges and vessels HK\$'000	Land and buildings HK\$'000	Containers HK\$'000	Furniture, fixtures and office equipment HK\$'000	Leasehold improve- ments HK\$'000	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Tractors and trailers HK\$'000	Yacht HK\$'000	Total HK\$'000
<b>THE GROUP</b>										
COST OR VALUATION										
At 1st April, 2001	95,750	9,482	46,576	7,414	3,546	879	3,603	1,594	1,500	170,344
Additions	–	–	–	39	–	–	–	–	–	39
Disposals	(7,950)	–	(51)	–	–	–	–	–	(1,500)	(9,501)
Deficit arising on revaluation	(35,870)	(412)	–	–	–	–	–	–	–	(36,282)
At 31st March, 2002	51,930	9,070	46,525	7,453	3,546	879	3,603	1,594	–	124,600
Comprising:										
At cost	–	–	46,525	7,453	3,546	879	3,603	1,594	–	63,600
At valuation – 2002	51,930	9,070	–	–	–	–	–	–	–	61,000
	51,930	9,070	46,525	7,453	3,546	879	3,603	1,594	–	124,600
DEPRECIATION, AMORTISATION AND IMPAIRMENT										
At 1st April, 2001	–	–	14,802	4,828	2,344	796	1,334	1,501	200	25,805
Provided for the year	9,398	379	4,008	1,150	448	29	994	93	150	16,649
Eliminated on disposals	(258)	–	(19)	–	–	–	–	–	(350)	(627)
Eliminated on revaluation	(9,140)	(379)	–	–	–	–	–	–	–	(9,519)
Impairment loss*	–	–	27,734	998	8	40	195	–	–	28,975
At 31st March, 2002	–	–	46,525	6,976	2,800	865	2,523	1,594	–	61,283
NET BOOK VALUES										
At 31st March, 2002	51,930	9,070	–	477	746	14	1,080	–	–	63,317
At 31st March, 2001	95,750	9,482	31,774	2,586	1,202	83	2,269	93	1,300	144,539

\* The Group reviewed the carrying amounts of property, plant and equipment and identified that certain of those property, plant and equipment are either idle or have no economic value to the Group. Accordingly, the carrying amounts of those identified property, plant and equipment are reduced to their respective negligible recoverable amounts at the balance sheet date.

The Group's tug boats, barges and vessels are held for use under operating leases and were revalued at 31st March, 2002 by BMI Appraisals Limited, an independent firm of valuers, on the basis of fair market value. The deficit of HK\$26,730,000 arising on revaluation has been dealt with as follows:

- (i) HK\$25,665,000 had been charged to the income statement; and
- (ii) HK\$1,065,000 had been charged to the asset revaluation reserve.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 14 PROPERTY, PLANT AND EQUIPMENT (continued)

The land and buildings which are situated in Macau are held under a medium-term lease. They were revalued at 31st March, 2002, by BMI Appraisals Limited, an independent firm of valuers, on an open market value basis. The deficit arising on revaluation of approximately HK\$33,000 has been charged to the income statement.

If the Group's tug boats, barges and vessels and land and buildings had not been revalued, they would have been included on a historical cost basis at the following amounts:

	<b>THE GROUP</b>		
	<b>Tug boats, barges and vessels</b>	<b>Land and buildings</b>	
	HK\$'000	HK\$'000	
Cost	113,125	10,307	
Accumulated depreciation and amortisation	<u>36,485</u>	<u>907</u>	
Net book value at 31st March, 2002	<u><u>76,640</u></u>	<u><u>9,400</u></u>	
Net book value at 31st March, 2001	<u><u>86,294</u></u>	<u><u>9,812</u></u>	
	<b>Leasehold improvements</b>	<b>Office equipment</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
<b>THE COMPANY</b>			
<b>COST</b>			
At 1st April, 2001 and 31st March, 2002	<u>85</u>	<u>4,027</u>	<u>4,112</u>
<b>DEPRECIATION AND IMPAIRMENT</b>			
At 1st April, 2001	2	2,499	2,501
Provided for the year	17	805	822
Impairment loss	<u>–</u>	<u>692</u>	<u>692</u>
At 31st March, 2002	<u>19</u>	<u>3,996</u>	<u>4,015</u>
<b>NET BOOK VALUES</b>			
At 31st March, 2002	<u><u>66</u></u>	<u><u>31</u></u>	<u><u>97</u></u>
At 31st March, 2001	<u><u>83</u></u>	<u><u>1,528</u></u>	<u><u>1,611</u></u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 14 PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of property, plant and equipment held under finance leases at the balance sheet date comprises:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Containers	–	9,359	–	–
Furniture, fixtures and office equipment	–	1,407	–	1,407
	<u>–</u>	<u>10,766</u>	<u>–</u>	<u>1,407</u>
	<u><u>–</u></u>	<u><u>10,766</u></u>	<u><u>–</u></u>	<u><u>1,407</u></u>

At the balance sheet date, the Group has pledged certain of its property, plant and equipment with an aggregate net book value of HK\$50,000,000 (2001: HK\$68,000,000) to secure the credit facilities granted to the Group.

### 15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	180,230	180,230
Advances to subsidiaries	–	38,128
	<u>180,230</u>	<u>218,358</u>
Impairment loss recognised	<u>(155,428)</u>	<u>(75,728)</u>
	<u><u>24,802</u></u>	<u><u>142,630</u></u>

The Group reviewed the cost of investments in subsidiaries and identified that the investments in certain subsidiaries would not be recoverable as the business performance of those subsidiaries were worse than the management expected. Accordingly, the costs of investments in each of those subsidiaries with such indication of impairment are reduced to either zero or to a negligible amount at the balance sheet date.

Details of the Company's principal subsidiaries at 31st March, 2002 are set out in note 36.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 16. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Share of associates' net assets	–	–	–	–
Advance to an associate	<b>34,800</b>	34,800	–	–
Amounts due from associates	<b>71</b>	55	<b>71</b>	55
	<b>34,871</b>	34,855	<b>71</b>	55
Provision	<b>(34,871)</b>	–	<b>(71)</b>	–
	<b>–</b>	34,855	<b>–</b>	55

The investment in associates at 31st March, 2002 represents the Group's indirect 50% equity interest in the issued share capital of Maniluck Enterprises Limited which is a company incorporated in Hong Kong and acts as an investment holding company.

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

### 17. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Trade receivables	<b>796</b>	6,878
Other receivables	<b>876</b>	1,636
	<b>1,672</b>	8,514

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 17. TRADE AND OTHER RECEIVABLES (continued)

The Group allows an average credit period of 30 days to 120 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

Age	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0 to 30 days	527	1,707
31 to 60 days	225	1,251
61 to 90 days	16	1,105
Over 90 days	28	2,815
	<u>796</u>	<u>6,878</u>

### 18. TRADE AND OTHER PAYABLES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Trade payables	6,791	8,642
Other payables	12,775	7,302
	<u>19,566</u>	<u>15,944</u>

The following is an aged analysis of trade payables at the balance sheet date:

Age	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0 to 30 days	1,244	1,199
31 to 60 days	417	552
61 to 90 days	303	518
Over 90 days	4,827	6,373
	<u>6,791</u>	<u>8,642</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 19. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>THE GROUP</b>				
Amount payable under finance leases				
– within one year	<b>3,024</b>	4,952	<b>2,758</b>	4,458
– more than one year, but not exceeding two years	<b>811</b>	2,425	<b>795</b>	2,238
– more than two years, but not exceeding five years	–	811	–	795
	<b>3,835</b>	8,188	<b>3,553</b>	7,491
Less: Future finance charges	<b>282</b>	697	–	–
Present value of lease obligations	<b>3,553</b>	7,491	<b>3,553</b>	7,491
Less: Amount due within one year shown under current liabilities			<b>2,758</b>	4,458
Amount due after one year			<b>795</b>	3,033
<b>THE COMPANY</b>				
Amount payable under a finance lease				
– within one year	–	629	–	609
Less: Future finance charges	–	20	–	–
	–	609	–	609
Less: Amount due within one year shown under current liabilities			–	609
Amount due after one year			–	–

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 20. OTHER LOANS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
The secured other loans is repayable as follows:		
Within one year	9,614	8,567
More than one year, but not exceeding two years	3,913	8,685
More than two years, but not exceeding five years	–	1,957
	<u>13,527</u>	<u>19,209</u>
Less: Amount due within one year shown under current liabilities	<u>9,614</u>	<u>8,567</u>
Amount due after one year	<u>3,913</u>	<u>10,642</u>

### 21. DEFERRED TAXATION

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Balance brought forward	256	917
(Credit) charge for the year	(256)	92
Eliminated on disposal of subsidiaries	–	(753)
	<u>–</u>	<u>256</u>
Balance carried forward	<u>–</u>	<u>256</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 21. DEFERRED TAXATION (continued)

At the balance sheet date, the major components of the Group's net deferred tax liability (asset) are as follows:

	Provided		Unprovided	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Taxation effect of timing differences arising as a result of:				
Excess (shortfall) of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	–	256	(101)	1,032
Tax losses available to set off against future assessable profits	–	–	(4,684)	(4,263)
Net deferred tax liability (asset)	–	256	(4,785)	(3,231)

At the balance sheet date, the Company had an unrecognised deferred tax asset of HK\$4,178,000 (2001: HK\$3,129,000) which represents the tax effect of timing differences arising as a result of tax losses available to set off against future assessable profits.

The deferred tax asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

No provision for deferred taxation has been made in the financial statements in respect of timing differences resulting from the surplus arising on revaluation of the Group's tug boats, barges and vessels as profits arising on future disposals of these assets would not be subject to taxation. Accordingly, the surplus on revaluation does not constitute a timing difference for tax purposes.



## Notes to the Financial Statements

For the year ended 31st March, 2002

### 22. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
At 1st April, 2000, ordinary shares of HK\$0.10 each	2,000,000,000	200,000
– increase in authorised share capital	<u>8,000,000,000</u>	<u>800,000</u>
At 31st March, 2001, ordinary shares of HK\$0.10 each	10,000,000,000	1,000,000
– reduction of capital from HK\$0.10 each to HK\$0.01 each on 14th January, 2002	<u>90,000,000,000</u>	<u>–</u>
At 31st March, 2002, ordinary shares of HK\$0.01 each	<u><u>100,000,000,000</u></u>	<u><u>1,000,000</u></u>
Issued and fully paid:		
At 1st April, 2000, ordinary shares of HK\$0.10 each	1,173,923,144	117,392
– issue of shares on private placement	229,900,000	22,990
– exercise of conversion rights of first convertible notes	122,682,000	12,268
– exercise of conversion rights of second convertible notes	150,600,000	15,060
– issue of shares for debt settlement	76,139,233	7,614
– exercise of warrants	4,157,140	416
– exercise of share options	<u>10,811,042</u>	<u>1,081</u>
At 31st March, 2001, ordinary shares of HK\$0.10 each	1,768,212,559	176,821
– exercise of warrants	5,142	1
– reduction of capital from HK\$0.10 each to HK\$0.01 each	–	(159,140)
– subscription of shares	<u>1,100,000,000</u>	<u>11,000</u>
At 31st March, 2002, ordinary shares of HK\$0.01 each	<u><u>2,868,217,701</u></u>	<u><u>28,682</u></u>

During the year, the following changes in the share capital of the Company took place:

- (a) During the year, the warrant holders of the Company's warrants of subscription rights of HK\$720 had exercised their rights, resulting in the issue of 5,142 shares of HK\$0.10 each in the Company at HK\$0.14 per share.

### 22. SHARE CAPITAL *(continued)*

- (b) Pursuant to special resolutions passed in the special general meeting held on 14th January, 2002 to effect the reduction of capital of the Company, the following changes in the share capital of the Company took place:
- (i) the nominal value of the issued shares of HK\$0.10 each was reduced by HK\$0.09 to HK\$0.01. The issued share capital of the Company of HK\$176,821,770 was, accordingly, reduced by HK\$159,139,593 to HK\$17,682,177 (comprising the same number of issued shares);
  - (ii) the surplus amount of HK\$159,139,593 arising from such reduction was credited to the contributed surplus account of the Company and was applied to set off against the deficit of the Company;
  - (iii) the share premium of the Company amounting to approximately HK\$59,235,000 was cancelled and the credit arising therefrom was credited to the contributed surplus account of the Company and was applied to set off against the deficit of the Company; and
  - (iv) each of the authorised but unissued shares (which included, without limitation, those unissued shares resulting from the capital reduction pursuant to (b)(i) above) was subdivided into ten shares and the authorised capital remained as HK\$1,000,000,000.
- (c) On 1st February, 2002, the Company entered into a subscription agreement (the "Subscription Agreement") with an independent third party Unichina Enterprises Limited ("Unichina"). Pursuant to the Subscription Agreement, Unichina subscribed for 1,100,000,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.025 per share. The subscription price per share of HK\$0.025 represents a discount of about 11.3% to the average closing prices of the Company's shares of HK\$0.0282 per share as quoted on the Stock Exchange for the last ten trading days up to 28th January, 2002. The proceeds were used as additional working capital and to finance future investment opportunities of the Group. The directors are authorised to allot and issue these new shares pursuant to a special general meeting of the Company's shareholders held on 14th March, 2002.

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

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 23. WARRANTS

In accordance with the conditions attaching to the warrants of the Company, the rights to subscribe for shares in the Company expired on 30th November, 2001. Prior to its expiration, warrants of subscription rights of HK\$720 had exercised their rights, resulting in the issue of 5,142 shares of HK\$0.10 each in the Company at HK\$0.14 per share.

### 24. SHARE OPTIONS

Details of the movements in the number of share options during the year under the Company's share option scheme adopted on 30th September, 1997 were as follows:

Exercisable period	Exercise price per share HK\$	Number of share options		
		Outstanding at 1.4.2001	Lapsed during the year	Outstanding at 31.3.2002
29th February, 2000 to 28th February, 2010	0.163	29,352,760	311,042	29,041,718
27th April, 2000 to 26th April, 2010	0.122	14,000,000	–	14,000,000
10th August, 2000 to 9th August, 2010	0.107	15,000,000	15,000,000	–
4th November 2000 to 3rd November 2010	0.100	<u>25,200,000</u>	<u>6,000,000</u>	<u>19,200,000</u>
		<u>83,552,760</u>	<u>21,311,042</u>	<u>62,241,718</u>

In compliance with The Hong Kong Code on Takeovers and Mergers, Unichina made an unconditional general cash offer (the "Offer") for all the Company's issued shares and unexercised options upon the completion of, inter alia, the Subscription Agreement in March 2002. As a result of the Offer, an aggregate of 62,241,718 share options were subsequently cancelled in April 2002.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 25. RESERVES

	Asset			Goodwill	Special reserve	Deficit	Total
	Share revaluation premium	Translation reserve	Translation reserve				
	HK\$'000	HK\$'000	HK\$'000				
<b>THE GROUP</b>							
At 1st April, 2000	49,273	43,378	144	(2,209)	92,926	(69,743)	113,769
Premium arising on issue of shares	10,934	-	-	-	-	-	10,934
Expenses incurred in connection with the issue of shares	(972)	-	-	-	-	-	(972)
Deficit arising on revaluation	-	(28,352)	-	-	-	-	(28,352)
Realised on depreciation of property, plant and equipment	-	(1,009)	-	-	-	1,009	-
Impairment in value of a vessel	-	(5,707)	-	-	-	-	(5,707)
Realised on disposal of subsidiaries	-	(3,469)	-	-	-	-	(3,469)
Realised on disposal of property, plant and equipment	-	(1,469)	-	-	-	1,469	-
Goodwill arising on acquisition of a subsidiary	-	-	-	(489)	-	-	(489)
Realised on disposal of associates	-	-	(144)	-	-	-	(144)
Net loss for the year	-	-	-	-	-	(109,590)	(109,590)
At 31st March, 2001	59,235	3,372	-	(2,698)	92,926	(176,855)	(24,020)
Effect of capital reduction (note 22(b))	(59,235)	-	-	-	-	218,375	159,140
Premium arising on issue of shares	16,500	-	-	-	-	-	16,500
Expenses incurred in connection with the issue of shares	(641)	-	-	-	-	-	(641)
Deficit arising on revaluation	-	(1,065)	-	-	-	-	(1,065)
Realised on disposal of vessels	-	(2,289)	-	-	-	2,289	-
Impairment in value of goodwill	-	-	-	2,698	-	-	2,698
Net loss for the year	-	-	-	-	-	(136,369)	(136,369)
At 31st March, 2002	15,859	18	-	-	92,926	(92,560)	16,243

The special reserve of the Group represents the excess of the nominal amount of the shares of the subsidiaries at the date of the group reorganisation over the nominal amount of the shares issued by the Company as consideration for the acquisition of the subsidiaries.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 25. RESERVES (continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
<b>THE COMPANY</b>				
At 1st April, 2000	49,273	180,030	(138,737)	90,566
Premium arising on issue of shares	10,934	–	–	10,934
Expenses incurred in connection with the issue of shares	(972)	–	–	(972)
Net loss for the year	–	–	(159,453)	(159,453)
At 31st March, 2001	59,235	180,030	(298,190)	(58,925)
Effect of capital reduction	(59,235)	–	218,375	159,140
Premium arising on issue shares	16,500	–	–	16,500
Expenses incurred in connection with the issue of shares	(641)	–	–	(641)
Net loss for the year	–	–	(130,739)	(130,739)
At 31st March, 2002	<u>15,859</u>	<u>180,030</u>	<u>(210,554)</u>	<u>(14,665)</u>

The contributed surplus of the Company represents the excess of the consolidated net assets of the subsidiaries at the date on which they were acquired by the Company, over the nominal amount of the shares issued by the Company as consideration for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares on the Stock Exchange in 1997.

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

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

At the balance sheet date, the Company had no reserve available for distribution to shareholders.

## Notes to the Financial Statements

For the year ended 31st March, 2002

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

	2002 HK\$'000	2001 HK\$'000
Loss before taxation	(136,625)	(108,878)
Interest income	(68)	(504)
Interest expenses	2,971	5,868
Share of losses of associates	–	345
Depreciation and amortisation	16,649	33,560
Loss (gain) on disposal of property, plant and equipment other than vessels and containers	910	(2,446)
Loss on disposal of vessels and containers	5,399	6,365
Gain on disposal of listed investments	–	(1,989)
Impairment loss and revaluation deficit	57,959	9,693
(Gain) loss on disposal of subsidiaries	(5)	5,873
Provision for advances to associates	34,871	–
Loss on disposal/dissolution of associates	–	1,337
Amounts due to associates waived for repayment on their disposal/dissolution	–	(112)
Provision for bad and doubtful debts	4,750	21,603
Decrease in trade and other receivables	2,092	6,226
Increase (decrease) in trade and other payables	3,622	(19,275)
Decrease in trade payables to associates	–	(841)
	<u>          </u>	<u>          </u>
Net cash outflow from operating activities	<u><b>(7,475)</b></u>	<u><b>(43,175)</b></u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 27. PURCHASE OF SUBSIDIARIES

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Net liabilities acquired:		
Bank balances and cash	–	1
Trade and other payables	–	(490)
	<u>–</u>	<u>(489)</u>
Net liabilities	–	(489)
Goodwill arising on acquisition	–	489
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>
Satisfied by:		
Cash consideration paid	–	–
	<u>–</u>	<u>–</u>
Net inflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Bank balances and cash acquired	–	1
	<u>–</u>	<u>1</u>

The subsidiaries acquired in 2001 did not have any significant impact on the Group's cash flows, turnover and operating results.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 28. DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Net (liabilities) assets disposed of:		
Property, plant and equipment	–	20,920
Trade and other receivables	–	13,672
Amounts due from associates	–	2,709
Taxation recoverable	–	136
Bank balances and cash	–	867
Trade and other payables	–	(23,806)
Trade payables to associates	<b>(5)</b>	(1,497)
Taxation payable	–	(799)
Other loans	–	(2,102)
Deferred taxation	–	(753)
	<hr/>	<hr/>
Net (liabilities) assets	<b>(5)</b>	9,347
Asset revaluation reserve realised on disposal	–	(3,469)
Gain (loss) on disposal of subsidiaries	<b>5</b>	(5,873)
	<hr/>	<hr/>
	<b>–</b>	<b>5</b>
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash consideration received	–	5
	<hr/> <hr/>	<hr/> <hr/>
Analysis of net outflow of cash and cash equivalents in connection with the disposal of subsidiaries		
Cash consideration received	–	5
Bank balances and cash disposed of	–	(867)
	<hr/>	<hr/>
Net outflow of cash and cash equivalents in connection with the disposal of subsidiaries	<b>–</b>	<b>(862)</b>
	<hr/> <hr/>	<hr/> <hr/>

The subsidiary disposed of in 2002 did not have any significant impact on the Group's cash flows, turnover and loss from operations.



## Notes to the Financial Statements

For the year ended 31st March, 2002

### 28. DISPOSAL OF SUBSIDIARIES (continued)

The subsidiaries disposed of in 2001 contributed HK\$4,841,000 to the Group's net operating cash inflows, paid HK\$927,000 in respect of net returns on investment and servicing of finance, paid HK\$707,000 in respect of taxation, raised HK\$11,213,000 for investing activities and utilised HK\$7,631,000 in respect of financing.

The subsidiaries disposed of in 2001 contributed HK\$94,963,000 to the Group's turnover and HK\$15,551,000 to the Group's loss from operations.

### 29. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital	Share premium	Obligations under finance leases	Bank loans	Other loans
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2000	117,392	49,273	20,863	4,323	35,497
Proceeds from issue of shares	51,815	9,411	–	–	–
Expenses incurred in connection with the issue of shares	–	(972)	–	–	–
Issue of shares for settle- ment of a trade debt	7,614	1,523	–	–	–
Borrowings raised	–	–	–	–	19,500
Repayment of borrowings	–	–	(11,270)	(4,323)	(30,788)
Eliminated on disposal of subsidiaries	–	–	(2,102)	–	–
	<u>176,821</u>	<u>59,235</u>	<u>7,491</u>	<u>–</u>	<u>24,209</u>
At 31st March, 2001	176,821	59,235	7,491	–	24,209
Proceeds from issue of shares	11,001	16,500	–	–	–
Expenses incurred in connection with the issue of shares	–	(641)	–	–	–
Effect of capital reduction	(159,140)	(59,235)	–	–	–
Borrowings raised	–	–	–	–	15,895
Repayment of borrowings	–	–	(3,938)	–	(6,082)
	<u>28,682</u>	<u>15,859</u>	<u>3,553</u>	<u>–</u>	<u>34,022</u>
At 31st March, 2002	28,682	15,859	3,553	–	34,022

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 30. MAJOR NON-CASH TRANSACTION

In 2001, the agreement for the purchase of the entire issued share capital of and loan to Deluxe Global Limited ("Deluxe Global") from an independent third party had been completed. Deluxe Global is an investment holding company where its sole assets were associates engaged in the manufacture of motorcycles in the PRC. The deposit of HK\$34,800,000 made in 2000 on acquisition of Deluxe Global was accordingly reclassified as advance to an associate at 31st March, 2001.

### 31. OPERATING LEASE COMMITMENTS

While the Company had no outstanding operating lease commitments at the balance sheet date, certain of its subsidiaries were committed to make the following future minimum lease payments for land and buildings under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	1,763	1,839
In the second to fifth year inclusive	683	1,127
	<u>2,446</u>	<u>2,966</u>

The Group has no significant operating lease commitments in respect of vessels and containers at the balance sheet date.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of rented investment properties:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	86	86
In the second to fifth year inclusive	65	137
	<u>151</u>	<u>223</u>

### 32. CONTINGENT LIABILITIES

At the balance sheet date, the Company has given corporate guarantees to the extent of HK\$31,000,000 (2001: HK\$35,359,000) in respect of credit facilities extended to subsidiaries.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 33. RETIREMENT BENEFITS SCHEME

The Company operates defined contribution retirement benefits schemes under the Occupational Retirement Scheme Ordinance (the "ORSO Schemes") for all qualified employees. The assets of the ORSO Schemes are held separately in funds under the control of independent trustees. The retirement benefits scheme contributions charged to the income statement represents contributions payable to the ORSO Schemes by the Company at rates specified in the rules of the ORSO Schemes. Where there are employees who leave the ORSO Schemes prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

In light of the introduction of Mandatory Provident Fund (the "MPF") in Hong Kong, all qualifying employees of the Group were granted an one-off option to elect staying with the ORSO Schemes or switching to the MPF schemes. The Group has arranged for relevant employees to join the MPF schemes since December 2000. The Group and each of the employees make monthly mandatory contributions to the MPF schemes.

At the balance sheet date, there was no significant forfeited contribution, which arose upon employees leaving the retirement benefits scheme, available to reduce the contributions payable in future years.

### 34. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related companies:

Name of related company	Nature of transactions	THE GROUP	
		2002 HK\$'000	2001 HK\$'000
<i>Company controlled by a former director, Mr. Chow Wing Kee:</i>			
Win Cosmos Development Limited	Property rentals paid for land and buildings (note i)	–	679
<i>Associates:</i>			
Hung Tai Transportation Development Limited	Freight charges paid (note ii)	–	2,297
Hung Lei Shipping Limited	Container and vessel rentals received (note ii)	–	1,085

### 34. RELATED PARTY TRANSACTIONS *(continued)*

Notes:

- (i) The property rentals were paid in accordance with a tenancy agreement and the prevailing rent approximate to the open market rent estimated by the directors at the time when the tenancy agreement was contracted with reference to a valuation made by an independent valuer.
- (ii) These transactions were carried out with reference to market price.

At the balance sheet date, a former director of the Company, Mr. Chow Wing Kee, has given personal guarantees to the extent of HK\$31,000,000 (2001: HK\$31,000,000) in respect of credit facilities granted to certain of the Company's subsidiaries.

### 35. POST BALANCE SHEET EVENTS

The following events have occurred subsequent to 31st March, 2002:

- (a) The Group entered into an exclusivity agreement (the "Exclusivity Agreement") on 4th May, 2002 with Fairyoung Holdings Limited ("Fairyoung"), an independent third party, to facilitate negotiation with Fairyoung during the period from 4th May, 2002 to 30th May, 2002 of a potential acquisition of a Fairyoung's property development project located in Shanghai of Mainland China (the "Property"). The Group paid a deposit of approximately HK\$2.8 million to Fairyoung upon signing of the Exclusivity Agreement. In July 2002, the Group, in accordance with the rights given under the Exclusivity Agreement, determined not to proceed with the acquisition of the Property and entered into a settlement agreement dated 9th July, 2002 with Fairyoung for the refund of the HK\$2.8 million deposit, under which the HK\$2.8 million will be refunded in various stages by September 2002.
- (b) The Group entered into an agreement (the "Acquisition Agreement") on 18th June, 2002 with two independent third parties, Madam Fu Bo and Madam Lai Sze Wai, Joyce, for the acquisition of 51% of the issued share capital of Value Brilliant Investments Limited ("Value Brilliant") for a consideration of HK\$106,500,000 which is to be satisfied partially by the issue of 1,225,000,000 shares of the Company at a price of HK\$0.037 each and partially by the issue of bonds, carrying interest at a coupon rate of prime rate minus 1% per annum and having a term of three years, with an aggregate principal amount of HK\$61,175,000. Value Brilliant is an investment holding company and its principal asset is its 95% interest in Siping Ju Neng Medicine Industry Co., Ltd. ("SPJN"). SPJN is a sino-foreign equity joint venture company established in the PRC and is principally engaged in the production and sales of intravenous fluids. A special general meeting of the shareholders of the Company was held on 24th July, 2002 and the acquisition of 51% of the issued share capital of Value Brilliant was approved.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 36. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are indirectly wholly-owned by the Company, at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation	Nominal value of issued capital	Principal activities
CWK Shipping Inc.*	Belize	US\$1,000	Shipowner
Double Diamond International Limited	British Virgin Islands	US\$1	Property holding in Macau
Fossil Investments Inc.*	Belize	US\$1,000	Shipowner
Giant Empire Limited*	Hong Kong	HK\$2,000,000	Operation of a restaurant
Marsh Services Corp.*	Belize	US\$1,000	Shipowner
Master Sino Shipping Limited*	Hong Kong	HK\$10,000	Shipowner
Oriental Tours & Travel Co. Limited*	Hong Kong	HK\$4,000,000	Sales of airline tickets and provision of travel-related services
Union Bright International Holding Limited	Hong Kong	HK\$10,000	Shipowner
Unionwin International Holding Limited	Hong Kong	HK\$10,000	Shipowner

\* The Group disposed of its entire interests in these companies to independent third parties subsequent to the balance sheet date for an aggregate consideration of approximately HK\$2,020,000. The gain arising on disposal of the interests of these subsidiaries attributable to the Group amounted to approximately HK\$1,309,000.

The principal activities are carried out in Hong Kong except as otherwise stated under principal activities above.

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.

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