1. PRINCIPAL ACTIVITIES AND BASIS OF PRESENTATION OF ACCOUNTS

I-Wood International Holdings Limited (the "Company") was incorporated in Bermuda on 8th August 2000 as an exempted company under the Companies Act 1981 of Bermuda. Its shares have been listed on The Stock Exchange of Hong Kong Limited since 23rd October 2000.

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) manufacturing and trading of furniture, and (ii) operation of a cruise ship. By a directors' resolution passed on 28th October 2002, the Group has determined to dispose all of its furniture manufacturing and trading operations (Note 5).

The accounts have been prepared on the going concern basis. During the period, the Group recorded loss from operations of approximately HK$15,573,000. As at 30th June 2002, the Group had a loan payable of HK$96 million due on 1st July 2003 and convertible bond due on 18th November 2003, if not converted. The Group's ability to continue on a going concern depends on the success of its future operations and its ability to generate adequate cash flows for meeting its obligations as and when they fall due. Subsequent to 30th June 2002, the Directors resolved to approve the disposal of all of the Group's furniture manufacturing and trading operations to a party for cash consideration of HK$46 million which will be settled by installments over the period from November 2002 to January 2003 (Note 36). In October 2002, the Group obtained confirmation from the lender of the aforementioned HK$96 million loan to extend the repayment date of such loan to 1st July 2005. Also, the Directors and the Group's management believe that the Group's future operations will be successful. Accordingly the accounts have been prepared on the going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Principal accounting policies are summarised below:

a. Basis of measurement

The accounts have been prepared on the historical cost basis, as modified by the revaluation of land and buildings.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

b. Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries (the "Group"). Significant intra-group transactions and balances have been eliminated on consolidation.

c. Adoption of new/revised Statements of Standard Accounting Practice

Effective 1st April 2001, the Company and its subsidiaries have adopted, for the first time, the following Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants ("HKSA"):

SSAP 9 (revised)	Events after the balance sheet date
SSAP 14 (revised)	Leases
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of the above new/revised SSAPs has no material effect on the Group's accounts, other than as described below:

(i) *SSAP 26 — Segment reporting*

Segment information of the Group has been disclosed in Note 31 to the accounts.

In addition to the adoption of the above standards, the Group has adopted the consequential changes made to SSAP 17 — Property, plant and equipment and SSAP 18 — Revenue. The adoption of the consequential changes to these SSAPs has no material effect on the Group's accounts.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

d. Subsidiaries

A company is a subsidiary company if more than 50% of the issued voting capital is held long-term, directly or indirectly. Investment in subsidiaries is carried at cost less provision for impairment in value where considered necessary by the directors. The results of the subsidiaries are included in the income statement to the extent of dividends declared by the subsidiaries.

e. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/operation at the date of acquisition, and is amortised using the straight-line method over its estimated useful life of 5 years.

f. Turnover and revenue recognition

Turnover represented (i) the invoiced value of merchandise sold (excluding value-added tax) and after allowances for returns and discounts and (ii) cruise revenue.

All of the Group's sales made in Mainland China are subject to Mainland Chinese value-added tax ("VAT") at a rate of 17% ("output VAT"). Such output VAT is payable after offsetting VAT paid by the Group on purchases ("input VAT"). The cruise revenue made in Mainland China are subject to Mainland China business tax at a rate of 3%.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Sales revenue is recognised when the merchandise is shipped and title has passed. Cruise revenue is recognised when the relevant services have been rendered. Cruise revenue, and all associated direct costs of a voyage, are generally recognised on a pro rate basis over the period. Interest income is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

g. Taxation

Individual companies within the Group provide for profits tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

g. Taxation *(continued)*

Deferred taxation is provided under the liability method, at the current tax rate, in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the accounts, except when it is considered that no liability will arise in the foreseeable future. A deferred tax asset is not recognised unless the related benefits are expected to crystallise in the foreseeable future.

h. Other investments

Other investments are carried at fair value in the balance sheet. Any unrealised holding gain or loss on other investments is recognised in the income statement in the period when it arises.

Upon disposal or transfer of the long-term investments, any profit and loss thereon is accounted for in the income statement.

i. Fixed assets

Fixed assets, other than land and buildings, are stated at cost less accumulated depreciation and accumulated impairment losses. Major expenditures on modifications and betterments of fixed assets which will result in future economic benefits are capitalised, while expenditures on maintenance and repairs are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost of each asset over its estimated useful life. The annual rates of depreciation are as follows:

Land	2% (lease terms)
Buildings	5%
Cruise ship	4%
Machinery	10%
Furniture and equipment	20%
Motor vehicles	20%

Land and buildings are subject to independent valuations on a regular basis, with the last valuation performed on 30th June 2002. Any increase in land and buildings valuation is credited to the property revaluation reserve; any decrease is first offset against an increase on earlier valuation in respect of the same property and is thereafter charged to operating profit.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

i. Fixed assets *(continued)*

Construction-in-progress represents factories and office buildings under construction and machinery pending installation. Construction-in-progress is stated at cost, which includes land costs, construction expenditures incurred, costs of machinery and other direct costs capitalised during the construction and installation period. No depreciation is provided in respect of construction-in-progress until the construction work is completed.

Gains and losses on disposal of fixed assets are recognised in the income statement based on the net disposal proceeds less the then carrying amount of the assets.

j. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method of costing and includes all costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated normal selling prices in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

k. Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount of an asset is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

k. Impairment of assets *(continued)*

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the income statement.

l. Provisions and contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the accounts. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the accounts but disclosed when an inflow of economic benefits is probable.

m. Operating leases

Leases are classified as operating leases whenever substantially all the risks and rewards incidental to ownership of the leased assets remain with the lessor. Lease payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives on operating leases is recognised as a reduction of rental expense over the lease term on a straight-line basis.

n. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the that asset. All other borrowing costs are recognised as an expense in the years in which they are incurred.

o. Staff retirement benefits

The costs of staff retirement benefits are recognised as an expense in the years in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

p. Foreign currency translation

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the accounts of the individual companies, transactions in other currencies during the period/year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. Exchange gains and losses are dealt with in the income statement of the individual companies.

The Group prepares consolidated accounts in Hong Kong dollars. For the purpose of consolidation, all of the assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date; all of the income and expense items of individual companies within the Group with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the average applicable exchange rates during the period/year. Exchange differences arising from such translations are dealt with as movements of cumulative translation adjustments.

q. Subsequent events

Post year-end events that provide additional information about financial position at the balance sheet date or those that indicate the going concern assumption is not appropriate ("adjusting events"), are reflected in the accounts. Post year-end events that are not adjusting events are disclosed in the notes when material.

r. Cash equivalents

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

s. Use of estimates

The preparation of accounts in conformity with accounting principles generally accepted in Hong Kong requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. MAJOR TRANSACTIONS

During the period, the Group entered into the following major transactions:

a. On 19th November 2001, the Company issued 140,000,000 shares to Best Mineral Resources Limited ("BMRL") at the issue price of HK$0.40 per share, raising HK$56,000,000 before share issue expenses (Note 27). On the same date, the Company issued a convertible bond to BMRL for HK$16,000,000 (Note 26).

b. On 22nd November 2001, the Group remitted HK$40,300,000 to 'Company A' of which (i) HK$39,420,000 represented an advance to 'Company A', which was unsecured, carried interest at 3% per annum and was to be repayable on or before 21st October 2002 (Note 18), and (ii) HK$880,000 was used to settle the Group's obligation to a related company of 'Company A' in respect of a consultancy fee of the same amount. On 5th March 2002, 'Company A' repaid approximately HK$4,057,000 to the Group in cash. On 28th June 2002, 'Company A' utilised the remaining balance of the loan, together with the accrued interest thereon, amounting to HK$36,031,000 and made advances to the Group of approximately HK$895,000, totalling HK$36,926,000 to settle part of the Group's obligations arising from an acquisition as described in Note 3.f. below.

c. On 28th November 2001, the Group advanced HK$28,300,000 to 'Company B', which was unsecured, carried interest at 3% per annum and was to be repayable on or before 27th October 2002 (Note 18). On 24th June 2002 and 25th June 2002, 'Company B' repaid a total of HK$24,861,000 to the Group in cash. The remaining balance of the loan, together with accrued interest thereon, amounting to approximately HK$3,926,000 remained outstanding as at 30th June 2002. 'Company B' is beneficially owned by Mr. Choi Hin Kwai, one of the sellers of Best Paradise Assets Limited ("Best Paradise"), which was acquired by the Group in the transaction described in Note 3.f. below.

d. On 15th January 2002, the Group paid HK$11,000,000 to 'Company C' as a deposit for a potential investment in a chemical project to be undertaken by 'Company C'. The Group decided to withdraw from the investment and on 28th June 2002, the deposit was refunded by 'Company C' by settling part of the Group's obligations arising from an acquisition as described in Note 3.f. below.

3. MAJOR TRANSACTIONS *(continued)*

e. On 26th February 2002, the Group disposed of its entire interest in Fairly Good Development Limited, which was engaged in the trading of furniture, to 'Company D' at a consideration of HK$10,000,000, resulting in a loss of approximately HK$12,389,000 (Note 7). On 27th February 2002, at the instruction of the Group, 'Company D' remitted the proceeds of HK$10,000,000 to a former director of the Company, who resigned on 19th November 2001, and this amount was advanced by the Group to the former director as a loan, which was unsecured, carried interest at 7.5% per annum and without pre-determined repayment terms. On 28th June 2002, at the instruction of the Group, such loan, together with the accrued interest thereon, totalling HK$10,251,000 was repaid by the former director in settling part of the Group's obligations arising from an acquisition as described in Note 3.f. below.

f. On 28th June 2002, the Group completed its acquisition of 100% interest in Best Paradise Assets Limited, which owns a 51% interest in Pacific Cruise (Hainan) Limited, an operator of a cruise ship, from Mr. Choi Hin Kwai and Mr. Lam Yau Wai for an aggregate consideration of HK$58,600,000 (Note 30.b.). The consideration was settled as to approximately HK$36,926,000 and HK$10,251,000 by 'Company A' and a former director, respectively, on behalf of the Group as repayment of the outstanding loans due from them to the Group as described in Note 3.b. and 3.e. above. The balance of HK$11,000,000 was settled by 'Company C' as refund of the deposit as described in Note 3.d. above.

In addition, on 4th July 2002, the Group advanced HK$17,600,000 to 'Company A', which is unsecured, carries interest at 3% per annum and repayable on 3rd June 2003 (Note 36).

The Company's Directors and the Group's management consider 'Company A', 'Company B', 'Company C', 'Company D', the former director, Mr. Choi Hin Kwai and Mr. Lam Yau Wai being independent third parties who are not related to the Group and to each others, except for the fact that Mr. Choi Hin Kwai has a beneficial interest in 'Company B'. Further details of the above major non-cash transactions are disclosed in Note 30.e.

4. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

a. Particulars of significant transaction between the Group and related parties were as follows:

   i. During the period, the Group paid rental expenses of approximately HK$615,000 (2001 — HK$246,000) to Joy Glory Development Limited, a company beneficially owned by Mr. Yau Kwai Tun, a director and a substantial shareholder of the Company.

   ii. During the period, the Group paid interest expense of approximately HK$185,000 (2001 — Nil) to Best Mineral Resources Limited ("BMRL"), a substantial shareholder of the Company in relation to a convertible bond issued to BMRL pursuant to a subscription agreement (Note 26).

b. Details of balance due from a substantial shareholder were as follows:

	As at 30th June 2002	As at 1st April 2001	**Maximum balance outstanding during the period**
	HK$'000	*HK$'000*	*HK$'000*
Best Mineral Resources Limited ("BMRL")	**1,585**	—	1,585

c. Details of balances due to related parties were as follows:

	As at 30th June 2002	As at 1st April 2001
	HK$'000	*HK$'000*
Mr. Mo Keung, an executive director	**656**	—
Convertible bond payable to BMRL	**12,000**	—

4. **RELATED PARTY TRANSACTIONS** *(continued)*

d. Other than the convertible bond payable to BMRL, balances with related parties are unsecured, non-interest bearing and with no fixed repayment terms. Refer to Note 26 for terms of the convertible bond.

e. Refer to Notes 3.e. and f. for details of transactions with a former director during the period.

5. **DISCONTINUING OPERATIONS**

The Group has determined to dispose all of its furniture manufacturing and trading operations (Note 36). The results of such furniture manufacturing and trading operations are presented as discontinuing operations in the consolidated income statement for the fifteen months ended 30th June 2002. The consolidated income statement for the year ended 31st March 2001 has been restated to present the results of these operations as discontinuing operations.

The results of the discontinuing operations are:

	Fifteen months ended 30th June 2002 ***HK$'000***	Year ended 31st March 2001 *HK$'000*
Turnover	**150,588**	193,113
Cost of sales	**(123,741)**	(124,246)
Gross profit	**26,847**	68,867
Distribution and selling expenses	**(21,420)**	(8,346)
General and administrative expenses	**(14,361)**	(9,905)
(Loss) Profit from operations	**(8,934)**	50,616
Interest income	**395**	135
Finance costs	**(686)**	(1,675)
Loss on disposal of a subsidiary	**(12,389)**	—
(Loss) Profit before taxation	**(21,614)**	49,076
Taxation	**(23)**	(6,063)
(Loss) Profit attributable to shareholders	**(21,637)**	43,013

6. TURNOVER AND REVENUE

Turnover and revenue consisted of:

	Fifteen months ended 30th June 2002 *HK$'000*	Year ended 31st March 2001 *HK$'000*
Turnover		
— Sales of merchandise	**150,588**	193,113
— Cruise revenue	**832**	—
Total turnover	**151,420**	193,113
Interest income	**2,317**	423
Total revenue	**153,737**	193,536

7. LOSS ON DISPOSAL OF A SUBSIDIARY

On 26th February 2002, the Group disposed of its entire interest in Fairly Good Development Limited, a wholly-owned subsidiary, which was engaged in the trading of furniture to 'Company D' at a consideration of HK$10,000,000, resulting in a loss of approximately HK$12,389,000. Refer to Note 3.e. and Note 30.e. for details of settlement of the aforementioned consideration by 'Company D'.

8. (LOSS) PROFIT BEFORE TAXATION

(Loss) Profit before taxation was stated after charging and crediting the following:

	Fifteen months ended 30th June 2002	Year ended 31st March 2001
	HK$'000	*HK$'000*
After charging —		
Cost of inventories (excluding provision for obsolete and slow-moving inventories and inventories written-off)	**119,439**	124,046
Staff costs (including directors' emoluments) (a)	**33,847**	16,529
Provision for doubtful trade receivables	**—**	1,600
Provision for/Write-off of obsolete and slow-moving inventories	**4,538**	200
Depreciation of fixed assets	**4,404**	2,901
Amortisation of goodwill	**20**	—
Net loss on disposal of fixed assets	**724**	—
Interest expense on		
— bank borrowings wholly repayable within five years	**699**	1,675
— long-term loan *(Note 25)*	**42**	—
— convertible bond *(Notes 4 & 26)*	**185**	—
Operating lease rental of rented premises	**1,069**	396
Auditors' remuneration	**1,050**	680
After crediting —		
Interest income from		
— bank deposits	**911**	423
— loans receivable from a former director *(Note 18)*	**251**	—
— other loans receivable *(Note 18)*	**1,155**	—
Net exchange gain	**47**	69

8. (LOSS) PROFIT BEFORE TAXATION *(continued)*

Note:

a. During the period, the Group paid a special bonus of approximately HK$7,026,000 to certain employees in the Mainland China. In this accordance, the Group recorded a provision for individual income tax ("IIT") in Mainland China of approximately HK$1,038,000 in the accompanying income statement. The aggregate of the special bonus and the related IIT amounting to approximately HK$8,064,000 (2001 — Nil) were included in the staff cost as disclosed above. No such special bonus were paid during the year ended 31st March 2001.

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

a. Details of directors' emoluments were:

	Fifteen months ended 30th June 2002	Year ended 31st March 2001
	HK$'000	*HK$'000*
Fees for executive directors	**—**	—
Other emoluments for executive directors		
— Basic salaries and allowances	**2,724**	1,339
— Contribution to pension scheme	**22**	8
	2,746	1,347

No directors waived any emoluments during the period/year.

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(continued)*

Analysis of directors' emoluments by number of directors and emolument range was as follows:

	Fifteen months ended 30th June 2002	Year ended 31st March 2001
Executive directors		
— Nil to HK$1,000,000	**8**	2
Non-executive directors		
— Nil to HK$1,000,000	**4**	2
	12	4

b. Details of emoluments of the five highest paid individuals (including directors and other employees) were:

	Fifteen months ended 30th June 2002 ***HK$'000***	Year ended 31st March 2001 *HK$'000*
Basic salaries and allowances	**3,024**	1,993
Contribution to pension scheme	**28**	8
	3,052	2,001

Four (2001 — Two) of the highest paid individuals were directors of the Company, whose emoluments have been included in Note 9.a. above.

During the period, no emoluments of the five highest paid individuals (including directors and other employees) was incurred as inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of all of the five highest paid individuals (including directors and other employees) fall within the range of Nil to HK$1,000,000.

10. TAXATION

The Company and its subsidiaries are subject to income tax on an entity basis on income arising in or derived from the tax jurisdiction in which they operate.

The Company is exempted from taxation in Bermuda until March 2016.

Xiamen Xiyingmen Furniture Product Co., Ltd. which was established in the special economic zone in Mainland China, is subject to Mainland China enterprise income tax at a rate of 15%. However, it is exempted from state income and local income tax for two years starting from first year of profitable operations, followed by a 50% reduction in state income tax for the next three years. Xiamen Xiyingmen Furniture Product Co., Ltd. was entitled to tax exemption up to December 2000 and have been subject to income tax at the reduced rate of 7.5% since 1st January 2001.

Provision for taxation during the period represented provision for Mainland China enterprise income tax at reduced rate of 7.5% for Xiamen Xiyingmen Furniture Product Co., Ltd. For other companies with operations in Xiamen, Mainland China, provision for Mainland China enterprise income tax was recorded at applicable tax rate of 15%.

No deferred tax on the revaluation surplus was provided because the revaluation did not constitute a timing difference as the Group intended to hold the land and buildings for long-term production purposes. There was no significant unprovided deferred taxation as at 30th June 2002.

11. (LOSS) PROFIT ATTRIBUTABLE TO SHAREHOLDERS

During the period, the consolidated (loss) profit attributable to shareholders included a loss of approximately HK$8,149,000 (2001 — profit of approximately HK$5,705,000) dealt with in the accounts of the Company.

12. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. The dividend recorded in the accompanying consolidated income statement for the year ended 31st March 2001 were paid by a subsidiary of the Company to the shareholders prior to the Reorganisation and listing of the Company's shares on The Stock Exchange of Hong Kong Limited (Note 35).

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic loss per share was based on the consolidated loss attributable to shareholders of approximately HK$26,829,000 (2001 — profit of approximately HK$41,719,000) and on the weighted average number of approximately 326,329,000 shares (2001 — 231,538,000 shares) in issue during the period/year.

Diluted loss per share is not presented for the period ended 30th June 2002 because the effect is anti-dilutive.

The calculation of diluted earnings per share for the year ended 31st March 2001 was based on the consolidated profit attributable to shareholders of approximately HK$41,719,000 and the weighted average number of approximately 232,143,000 shares in issue after adjusting for the effects of all dilutive potential shares. A reconciliation of the weighted average number of shares used in calculating basic and diluted earnings per share was as follows:

	Year ended 31st March 2001 *'000*
Weighted average number of shares used in calculating basic earnings per share	231,538
Adjustment for potential dilutive effect in respect of outstanding share options	605
Weighted average number of shares used in calculating diluted earnings per share	232,143

14. FIXED ASSETS

Movements in fixed assets were:

Consolidated

	Fifteen months ended 30th June 2002							Year ended 31st March 2001
	Cruise ship (a) HK$'000	Land and buildings (b) HK$'000	Machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000	Total HK$'000
Cost or valuation								
Beginning of period/year	—	36,500	14,731	655	654	1,576	54,116	29,279
Additions	—	25	4,968	800	425	3,949	10,167	20,264
Disposals	—	(899)	—	(3)	—	—	(902)	—
Revaluation	—	(51)	—	—	—	—	(51)	4,573
Attributable to acquisition of a subsidiary	198,167	—	—	1,085	377	—	199,629	—
Attributable to disposal of a subsidiary	—	—	—	(34)	(269)	—	(303)	—
Transfer from construction-in-progress	—	3,330	165	—	—	(3,495)	—	—
End of period/year	198,167	38,905	19,864	2,503	1,187	2,030	262,656	54,116
Analysed as —								
At cost	198,167	—	19,864	2,503	1,187	2,030	223,751	17,616
At professional valuation	—	38,905	—	—	—	—	38,905	36,500
	198,167	38,905	19,864	2,503	1,187	2,030	262,656	54,116
Accumulated depreciation								
Beginning of period/year	—	—	1,615	273	349	—	2,237	2,699
Provision for the period/year	40	1,914	2,037	223	190	—	4,404	2,901
Disposals	—	(45)	—	(3)	—	—	(48)	—
Revaluation	—	(1,869)	—	—	—	—	(1,869)	(3,363)
Attributable to acquisition of a subsidiary	7,521	—	—	263	56	—	7,840	—
Attributable to disposal of a subsidiary	—	—	—	(25)	(234)	—	(259)	—
End of period/year	7,561	—	3,652	731	361	—	12,305	2,237
Net book value								
End of period/year	190,606	38,905	16,212	1,772	826	2,030	250,351	51,879
Beginning of period/year	—	36,500	13,116	382	305	1,576	51,879	26,580

a. The cruise ship was acquired by the Group on 28th June 2002 in connection with the acquisition of a 51% interest of Pacific Cruise (Hainan) Limited (Note 16). The last valuation of the cruise ship was performed by Vigers Hong Kong Limited, independent qualified valuers, on 26th April 2002 on an open market value basis.

14. FIXED ASSETS *(continued)*

Consolidated *(continued)*

b. The geographical location of land and buildings and type of tenure was analysed as follows:

	30th June 2002 *HK$'000*	31st March 2001 *HK$'000*
Mainland China — medium-term leases	**38,905**	36,500

All of the Group's land and buildings are factory premises in Mainland China, which are held under land use rights for 50 years up to 2046. They were stated at open market value as at 30th June 2002 as determined by DTZ Debenham Tie Leung Limited, independent qualified valuers.

Had all land and buildings been carried at cost less accumulated depreciation, the net book value of the Group's land and buildings as at 30th June 2002 would have been approximately HK$30,557,000 (2001 — HK$29,573,000).

All of the Group's land and buildings (2001 — Nil) were pledged as collateral for the Group's banking facilities (Note 33).

14. FIXED ASSETS *(continued)*

Company — office equipment

	Fifteen months ended 30th June 2002 *HK$'000*	Year ended 31st March 2001 *HK$'000*
Cost		
Beginning of period/year	**15**	—
Additions	**18**	15
End of period/year	**33**	15
Accumulated depreciation		
Beginning of period/year	**3**	—
Provision for the period/year	**8**	3
End of period/year	**11**	3
Net book value		
End of period/year	**22**	12
Beginning of period/year	**12**	—

15. INVESTMENT IN SUBSIDIARIES

In the Company's balance sheet, investment in subsidiaries comprised:

	30th June 2002 *HK$'000*	31st March 2001 *HK$'000*
Unlisted shares, at cost	**50,082**	50,081
Due from subsidiaries	**101,067**	17,000
	151,149	67,081
Provision for diminution of value	**(5,752)**	—
	145,397	67,081

The balance with subsidiaries was unsecured, non-interest bearing and not repayable until the subsidiaries were financially capable to do so.

The underlying value of the investment in subsidiaries was, in the opinion of the Directors, not less than its carrying value as at 30th June 2002.

Details of the subsidiaries as at 30th June 2002 were as follows:

Name	**Place and date of incorporation**	**Issued and fully paid share capital/ registered capital**	**Percentage of equity interest attributable to the Group**	**Principal activity**
Held directly:				
Foundation Cast Limited	British Virgin Islands	US$9,776	100%	Investment holding
All Chance Resources Limited	British Virgin Islands	US$1	100%	Investment holding
Ambro Investment Limited	British Virgin Islands	US$12	100%	Investment holding
Bright Chance (Asia) Limited	Hong Kong	HK$1,000	100%	Provision of administrative services

15. INVESTMENT IN SUBSIDIARIES *(continued)*

Name	Place and date of incorporation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activity
Held indirectly:				
Xiamen Xiyingmen Furniture Product Co., Ltd. (a)	Mainland China	US$2,500,000	100%	Manufacturing and trading of furniture
Kingsight Pacific Limited	British Virgin Islands/ Mainland China	US$2	100%	Trading of furniture
Asian Peak Development Limited	British Virgin Islands	US$2	100%	Dormant
Best Paradise Assets Limited	British Virgin Islands	US$2	100%	Investment holding
Pacific Cruises (Hainan) Limited	Hong Kong	HK$10,000,000	51%	Cruise services

Note:

(a) Xiamen Xiyingmen Furniture Product Co., Ltd. is a wholly foreign owned enterprise established in Mainland China to be operated for 50 years up to July 2046.

None of the subsidiaries had any loan capital in issue at any time during the period ended 30th June 2002.

16. GOODWILL

Movements of goodwill arising from acquisition of subsidiaries (consolidated) were:

	Fifteen months ended 30th June 2002	Year ended 31st March 2001
	HK$'000	*HK$'000*
Cost		
Additions and end of period/year	**12,152**	—
Accumulated amortisation and impairment		
Amortisation for the period/year and end of period/year	**(20)**	—
Net book value		
End of period/year	**12,132**	—

During the period, the Group acquired the entire equity interests in Best Paradise Assets Limited ("BPAL") at consideration of approximately HK$58,600,000 (Note 30.b.). BPAL owns a 51% equity interest in Pacific Cruise (Hainan) Limited ("Pacific Cruise"), a company incorporated in Hong Kong and an operator of a cruise ship.

17. INVENTORIES

Inventories (consolidated) consisted of:

	30th June 2002 *HK$'000*	31st March 2001 *HK$'000*
Manufacturing inventories for furniture operations		
— Raw materials	**8,700**	17,745
— Work-in-progress	**2,487**	3,174
— Finished goods	**8,774**	3,163
Consumable inventories for cruise operations		
— Food and beverages	**815**	—
— Supplies, spares and consumables	**265**	—
	21,041	24,082
Less: Provision for obsolete and slow-moving inventories	**(2,414)**	(2,414)
	18,627	21,668

As at 30th June 2002, inventories of approximately HK$17,547,000 (2001 — HK$21,668,000) were stated at net realisable value.

18. LOANS RECEIVABLE

Movements of loans receivable were as follows:

Date of advance	Name of borrowers	Beginning balance as at 1st April 2001	Advances during the period	Interest income during the period	Repayments during the period	Included in accruals and other payables	Balance as at 30th June 2002	Maximum balance outstanding during the period
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
27th February 2002 (a)	A former director	—	10,000	251	(10,251)	—	**—**	10,251
22nd November 2001 (b)	'Company A'	—	39,420	668	(40,983)	895	**—**	39,750
28th November 2001 (c)	'Company B'	—	28,300	487	(24,861)	—	**3,926**	28,776
		—	77,720	1,406	(76,095)	895	**3,926**	

a. Pursuant to a loan agreement dated 27th February 2002, the Group advanced a loan of HK$10,000,000 (2001 — Nil) to a former director who resigned on 19th November 2001. The loan was unsecured and carried interest at 7.5% per annum (Note 3 and Note 30.e.).

b. Pursuant to a loan agreement dated 22nd November 2001, the Group advanced a loan of HK$39,420,000 to 'Company A'. The loan was unsecured and carried interest at 3% per annum (Note 3 and Note 30.e.).

c. Pursuant to a loan agreement dated 28th November 2001, the Group advanced a loan of HK$28,300,000 to 'Company B'. The loan was unsecured, repayable before 27th October 2002 and carried interest at 3% per annum (Note 3 and Note 30.e.).

The Directors have reviewed and assessed the collectibility of the outstanding loan balance as at 30th June 2002 and considered no provision for doubtful loan receivable is necessary.

Refer to Notes 3.f. and 30.e. for details of arrangements with respect to repayment of the aforementioned loans.

19. TRADE RECEIVABLES

The credit terms of the Group range from 0 to 90 days. The aging analysis of trade receivables (consolidated) was as follows:

	30th June 2002 HK$'000	31st March 2001 HK$'000
Aged for:		
0 to 30 days	**2,910**	13,938
31 to 60 days	**592**	7,607
61 to 90 days	**23**	7,837
Over 90 days	**139**	4,294
	3,664	33,676
Provision for doubtful trade receivables	**—**	(1,600)
	3,664	32,076

20. CASH AND BANK DEPOSITS

Cash and bank deposits consisted of:

	Consolidated		**Company**	
	30th June 2002 HK$'000	31st March 2001 HK$'000	**30th June 2002 HK$'000**	31st March 2001 HK$'000
Cash and bank deposits denominated in RMB	**37,016**	15,446	**—**	—
Cash and bank deposits denominated in other currencies	**25,363**	15,680	**—**	14,966
	62,379	31,126	**—**	14,966

At present, RMB is not a freely convertible currency in the international market and its exchange rate is fixed by the PRC government.

21. SHORT-TERM BANK LOANS

Short-term bank loans carried interest at 6.48% (2001 — 7.02%) per annum. Refer to Note 33 for details of the Group's banking facilities.

22. TRADE PAYABLES

The credit terms of the Group range from 30 to 90 days. The aging analysis of trade payables (consolidated) was as follows:

	30th June 2002 *HK$'000*	31st March 2001 *HK$'000*
Aged for:		
0 to 30 days	**3,644**	6,305
31 to 60 days	**2,326**	994
61 to 90 days	**1,823**	228
91 to 180 days	**1,906**	299
181 to 365 days	**1,618**	270
	11,317	8,096

23. ACCRUALS AND OTHER PAYABLES

Details of accruals and other payables were as follows:

	30th June 2002 *HK$'000*	31st March 2001 *HK$'000*
Due to a minority shareholder of a subsidiary (a)	**8,774**	—
Due to vendors of a subsidiary acquired during the period (b)	**5,523**	—
Wages and other staff welfare payable	**9,143**	5,404
Port fee	**2,416**	—
Receipt in advance	**2,713**	—
Individual income tax payable	**1,038**	—
Other short-term loan (c)	**3,257**	—
Due to 'Company A' (d)	**895**	—
Others	**5,726**	2,462
	39,485	7,866

23. ACCRUALS AND OTHER PAYABLES *(continued)*

a. This represented short-term advances from Mr. Wong Kin Ming and his associates. Mr. Wong Kin Ming owns 49% of Pacific Cruise (Hainan) Limited, a 51% subsidiary of the Company. Such short-term advances were unsecured, non-interest bearing, and had no fixed repayment terms.

b. This represented amount due to Mr. Chai Hin Kwai and Mr. Lam Yau Wai, sellers of Best Paradise Assets Limited from whom the Group acquired during the period. The balance was unsecured, non-interest bearing and had no fixed repayment terms.

c. Other short-term loan was unsecured, non-interest bearing and had no fixed repayment terms.

d. This represented amount advanced by 'Company A' in settling balances due to the Group. Such balance was unsecured, non-interest bearing and had no fixed repayment terms (Notes 3.b. and 18).

24. LONG-TERM BANK LOANS

Long-term bank loans carried interest at 6.36% per annum and were wholly repayable within five years. Refer to Note 33 for details of the Group's banking facilities.

25. LONG-TERM LOAN

This represented loan due to an individual by Pacific Cruise (Hainan) Limited, a 51% owned subsidiary, which was unsecured, carried interest at 8% per annum and was wholly repayable by 1st July 2003. In October 2002, the Group obtained confirmation from the individual to extend the repayment date of such loan to 1st July 2005.

26. CONVERTIBLE BOND

Pursuant to a subscription agreement ("the Subscription Agreement"), the Company issued a convertible bond on 19th November 2001 amounting to HK$16,000,000 to Best Mineral Resources Limited ("BMRL"), a company incorporated in the British Virgin Islands.

The convertible bond was unsecured, carried interest at 2% per annum and repayable by 18th November 2003 if not converted. Under the Subscription Agreement, BMRL has the right to convert the convertible bond into ordinary shares of the Company at HK$0.4 per share (subject to adjustment) in accordance with the following time frame:

(i) 25% of the outstanding balance of the convertible bond (i.e. HK$4,000,000) from 19th February 2002 to 18th November 2002;

(ii) up to 60% of the outstanding balance (i.e. up to HK$9,600,000) from 19th November 2002 to 18th May 2003; and

26. CONVERTIBLE BOND *(continued)*

(iii) the remaining balance (i.e. HK$2,400,000) prior to maturing date of the convertible bond.

During the period, BMRL converted HK$4,000,000 of the outstanding bond into 10,000,000 ordinary shares of the Company (Note 27).

27. SHARE CAPITAL

	Number of shares *'000*	**Nominal value** *HK$'000*
Authorised (ordinary share of $0.10 each)		
Upon incorporation (a)	1,000	100
Increase in authorised share capital (b)	999,000	99,900
At 31st March 2001 and 30th June 2002	1,000,000	100,000
Issued and fully paid (ordinary shares of $0.10 each)		
Issue of shares upon incorporation (a)	1,000	—
Issue of shares arising from the Reorganisation referred to in Note 35 (c)	955	195
Issue of shares through public offering and private placement (d)	40,400	4,040
Capitalisation of share premium (e)	210,545	21,055
At 31st March 2001	252,900	25,290
Issue of shares to BMRL (f)	140,000	14,000
Issue of shares upon conversion of convertible bond *(Note 26)*	10,000	1,000
Exercise of share options *(Note 28)*	6,323	632
At 30th June 2002	409,223	40,922

27. SHARE CAPITAL *(continued)*

Notes:

a. On 8th August 2000, the Company was incorporated with an authorised share capital of HK$100,000 divided into 1,000,000 shares of HK$0.10 each, all of which were issued nil paid on 15th August 2000 and were subsequently paid up in the manner described in Note c. below.

b. On 28th September 2000, the Company's authorised share capital was increased from HK$100,000 to HK$100,000,000, by the creation of additional 999,000,000 shares of HK$0.10 each ranking pari passu with the existing shares in all aspects.

c. On 28th September 2000, the Company issued 955,000 shares which, together with the 1,000,000 shares issued upon incorporation, were credited as fully paid as consideration for the acquisition of the entire issued share capital of Foundation Cast Limited, the intermediate holding company of the Group as at the date of Reorganisation described in Note 35.

d. On 17th October 2000, 40,400,000 shares were issued at HK$0.80 per share through a public offering and private placement ("the New Issue"), resulting in net cash proceeds of HK$32,320,000, which was used by the Company in (i) developing its furniture manufacturing and trading operations and (ii) as working capital.

e. Immediately after the New Issue, share premium of approximately HK$21,055,000 was capitalised by the issuance of 210,545,000 shares of HK$0.10 each on pro-rata basis to the Company's then shareholders before the New Issue.

f. Pursuant to the Subscription Agreement, the Company issued 140,000,000 new shares to BMRL at consideration of HK$0.40 per share, resulting in net cash proceeds of HK$51,903,000, which was used by the Company as working capital. The new shares rank pari passu with the existing shares of the Company.

28. SHARE OPTIONS

Prior to 6th November 2001, the Company adopted a share option scheme ("the Old Scheme") under which it might grant options to executive directors and employees of the Group to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time excluding for this purpose shares issued on the exercise of options. The subscription price was to be determined by the Directors, and would not be less than the higher of the nominal value of the shares and 80% of the average closing price of the shares quoted on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on the five trading days immediately preceding the date of grant of the options.

28. SHARE OPTIONS *(continued)*

Movements in the share option under the Old Scheme during the period were as follows:

			Number of shares			
Date of grant	Exercise period	Subscription price	As at 1st April 2001 *'000*	Exercised during the period *'000*	Lapsed during the period *'000*	As at 30th June 2002 ***'000***
28th September 2001	1st December 2000 to 31st March 2004	HK$0.308	12,645	(6,323)	(6,322)	—

On 6th November 2001, the Old Scheme was terminated pursuant to a special general meeting and a new share option scheme was adopted by the Company ("the New Scheme"). Under the New Scheme, the Company may grant options to executive directors and employees of the Company to subscribe for shares in the Company, subject to a maximum of 30% of the issued share capital of the Company from time to time excluding for this purpose shares issued in the exercise of options. The subscription price will be determined by the Directors by reference to (i) the nominal value of the shares, (ii) the closing price per share as stated in the Stock Exchange, and (iii) the average closing price of the shares quoted on the Stock Exchange on the five trading days immediately proceeding the date of the grant of the options, whichever is higher. During the period, no share options were granted under the New Scheme.

29. RESERVES

Movements in reserves were:

	Fifteen months ended 30th June 2002							Year ended 31st March 2001
	Share premium	Capital reserve (a)	Contributed surplus (b)	Statutory reserve (c)	Revaluation reserve	Cumulative translation adjustments	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Consolidated								
Beginning of period/year	1,755	19,193	—	1,701	7,936	—	30,585	—
Premium on issue of ordinary shares *(Note 27)*	46,315	—	—	—	—	—	46,315	28,280
Share issue expenses	(4,097)	—	—	—	—	—	(4,097)	(5,470)
Capitalisation of share premium *(Note 27)*	—	—	—	—	—	—	—	(21,055)
Effect of the Reorganisation *(Note 35)*	—	—	—	—	—	—	—	19,193
Transfer to statutory reserve	—	—	—	98	—	—	98	1,701
Surplus on revaluation of land and buildings	—	—	—	—	1,818	—	1,818	7,936
Translation adjustments	—	—	—	—	—	(187)	(187)	—
End of period/year	43,973	19,193	—	1,799	9,754	(187)	74,532	30,585
Company								
Beginning of period/year	1,755	—	49,886	—	—	—	51,641	—
Premium on issue of ordinary shares *(Note 27)*	46,315	—	—	—	—	—	46,315	28,280
Share issue expenses	(4,097)	—	—	—	—	—	(4,097)	(5,470)
Capitalisation of share premium *(Note 27)*	—	—	—	—	—	—	—	(21,055)
Effect of the Reorganisation *(Note 35)*	—	—	—	—	—	—	—	49,886
End of period/year	43,973	—	49,886	—	—	—	93,859	51,641

Notes:

a. Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of a subsidiary acquired through an exchange of shares pursuant to the Reorganisation (Note 35).

b. Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of a subsidiary acquired through an exchange of shares pursuant to the Reorganisation (Note 35).

29. RESERVES *(continued)*

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the 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.

c. Statutory reserve:

The subsidiary established in Mainland China has to make appropriation from its retained profit to a general reserve fund in accordance with Mainland China laws and regulations. Movements of the general reserve fund were:

	Fifteen months ended 30th June 2002	Year ended 31st March 2001
	HK$'000	*HK$'000*
Beginning of period/year	**1,701**	—
Transfer from retained profit	**98**	1,701
End of period/year	**1,799**	1,701

The subsidiary established in Mainland China is required by Mainland China Company Law to appropriate 10% of its statutory after-tax profit to a general reserve fund until the balance of the fund reaches 50% of share capital and thereafter any further appropriation is optional. The general reserve fund can be utilised to offset prior years' losses or to increase share capital on the condition that the general reserve fund shall be maintained at a maximum of 25% of the share capital after such issuance. During the period, the board of directors of the subsidiary resolved to appropriate approximately HK$98,000 from retained profit to general reserve fund.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a. Reconciliation of (loss) profit before taxation to net cash inflow from operating activities:

	Fifteen months ended 30th June 2002	Year ended 31st March 2001
	HK$'000	*HK$'000*
(Loss) Profit before taxation	**(26,571)**	47,782
Interest income	**(2,317)**	(423)
Interest expense	**926**	1,675
Depreciation of fixed assets	**4,404**	2,901
Amortisation of goodwill	**20**	—
Loss on disposal of a subsidiary	**12,389**	—
Net loss on disposals of fixed assets	**724**	—
Decrease (Increase) in inventories	**4,053**	(1,738)
Increase in prepayments and other receivables	**(3,667)**	(789)
Decrease (Increase) in trade receivables	**26,548**	(9,748)
Increase in trade payables	**2,854**	2,241
Increase (Decrease) in accruals and other payables	**6,682**	(2,746)
Net cash inflow from operating activities	**26,045**	39,155

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

b. Details of a subsidiary acquired were as follows:

	HK$'000
Cruise ship	190,646
Other fixed assets	1,143
Inventories	1,012
Trade receivables	8
Prepayments and other receivables	740
Cash and bank deposits	230
Trade payables	(367)
Accruals and other payables	(23,619)
Long-term loan	(96,000)
	73,793
Less: minority interests	(27,345)
Group's share of net assets acquired	46,448
Goodwill on acquisition	12,152
Consideration	58,600
Less: amount paid	(58,177)
Consideration to be paid	423

Net cash inflow from acquisition of a subsidiary was as follows:

Cash and bank deposits acquired	230
Cash consideration paid *(Note 30.e.)*	—
Net cash inflow form acquisition of a subsidiary	230

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

c. Details of disposal of a subsidiary were as follows:

	HK$'000
Fixed assets	44
Trade receivables	1,872
Prepayments and other receivables	19
Cash and bank deposits	40,311
Due to group companies	(19,857)
Group's share of net assets disposed of	22,389
Loss on disposal of a subsidiary	(12,389)
Consideration	10,000

Net cash outflow from disposal of a subsidiary was as follows:

Cash and bank deposits disposed of	40,311
Cash consideration received *(Note 30.e.)*	—
Net cash outflow from disposal of a subsidiary	40,311

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

d. Analysis of changes in financing was as follows:

	Share capital and share premium	Convertible bond	Short-term bank loans	Long-term bank loans	Long-term loan	Due to a minority shareholder of a subsidiary	Due to a director
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 1st April 2000	18,792	—	26,144	—	—	—	—
Increase in paid-in capital	596	—	—	—	—	—	—
Issuance of new shares for cash	32,320	—	—	—	—	—	—
Shares issue expenses	(5,470)	—	—	—	—	—	—
Effect of the Reorganisation	(19,193)	—	—	—	—	—	—
New short-term bank loans	—	—	6,542	—	—	—	—
Repayment of short-term bank loans	—	—	(26,144)	—	—	—	—
Balance as at 31st March 2001	27,045	—	6,542	—	—	—	—
Issue of new shares for cash	56,000	—	—	—	—	—	—
Shares issue expenses	(4,097)	—	—	—	—	—	—
Exercise of share options	1,947	—	—	—	—	—	—
Issuance of convertible bond	—	16,000	—	—	—	—	—
Conversion of convertible bond	4,000	(4,000)	—	—	—	—	—
New short-term bank loans	—	—	18,505	—	—	—	—
Repayment of short-term bank loans	—	—	(6,542)	—	—	—	—
New long-term bank loans	—	—	—	3,879	—	—	—
Attributable to acquisition of a subsidiary	—	—	—	—	96,000	8,774	—
Advances from a director	—	—	—	—	—	—	658
Repayment to a director	—	—	—	—	—	—	(2)
Balance as at 30th June 2002	84,895	12,000	18,505	3,879	96,000	8,774	656

e. Major non-cash transactions:

i. On 26th February 2002, the Group disposed of its entire interest in Fairly Good Development Limited to 'Company D' at a consideration of HK$10,000,000. On 27th February 2002, at the instruction of the Group, 'Company D' remitted the proceeds of HK$10,000,000 to a former director of the Company, who resigned on 19th November 2001, and this amount was advanced by the Group to the former director as a loan (Note 30.e.ii.).

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

e. Major non-cash transactions: *(continued)*

ii. On 28th June 2002, the Group completed its acquisition of a 100% interest in Best Paradise Assets Limited, which owns a 51% interest in Pacific Cruise (Hainan) Limited, an operator of a cruise ship, from Mr. Choi Hin Kwai and Mr. Lam Yau Wai for an aggregate consideration of HK$58,600,000. The consideration was settled as to approximately HK$36,926,000 and HK$10,251,000 by 'Company A' and a former director, respectively, on behalf of the Group as repayment of the outstanding loans due from them to the Group as described in Note 3.b. and Note 3.e. The balance of approximately HK$11,000,000 was settled by 'Company C' as refund of an investment deposit as described in Note 3.d. Approximately HK$423,000 of the consideration remained unpaid as at 30th June 2002 (included in accruals and other payables) (Note 3.f.).

Refer to Note 3 for details of the aforementioned transactions.

f. Analysis of cash and cash equivalents:

	30th June 2002	31st March 2001
	HK$'000	*HK$'000*
Cash and bank deposits	**62,379**	31,126
Other investments	**—**	1,001
	62,379	32,127

31. SEGMENT INFORMATION

a. Business segments

The Group is organised into two operating units (i) manufacturing and trading of furniture and (ii) operation of a cruise ship.

An analysis of business segment is as follows:

	Fifteen months ended 30th June 2002		
	Manufacturing and trading of furniture	**Operation of a cruise ship**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Turnover			
Sales to external customers	**150,588**	**832**	**151,420**
Operating results			
Segment results	**(8,934)**	**492**	**(8,442)**
Unallocated costs			**(7,131)**
Interest income			**2,317**
Finance costs			**(926)**
Loss on disposal of a subsidiary			**(12,389)**
Taxation			**(28)**
Minority interests			**(230)**
Loss attributable to shareholders			**(26,829)**

31. SEGMENT INFORMATION *(continued)*

a. Business segments *(continued)*

	Fifteen months ended 30th June 2002		
	Manufacturing and trading of furniture	Operation of a cruise ship	Total
	HK$'000	*HK$'000*	*HK$'000*
Other information			
Segment assets	**122,619**	**206,051**	**328,670**
Unallocated assets			**30,409**
Total assets			**359,079**
Segment liabilities	**60,319**	**147,649**	**207,968**
Unallocated liabilities			**18,554**
Total liabilities			**226,522**
Capital expenditures	**10,167**	**—**	**10,167**
Depreciation and amortisation	**4,364**	**60**	**4,424**
Non-cash expenses other that depreciation and amortisation	**13,113**	**—**	**13,113**

31. SEGMENT INFORMATION *(continued)*

a. Business segments *(continued)*

	Year ended 31st March 2001		
	Manufacturing and trading of furniture	Operation of a cruise ship	Total
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
Sales to external customers	193,113	—	193,113
Operating results			
Segment results	49,034	—	49,034
Interest income			423
Finance costs			(1,675)
Taxation			(6,063)
Profit attributable to shareholders			41,719

	Year ended 31st March 2001		
	Manufacturing and trading of furniture	Operation of a cruise ship	Total
	HK$'000	*HK$'000*	*HK$'000*
Other information			
Assets	139,777	—	139,777
Liabilities	39,872	—	39,872
Capital expenditures	20,264	—	20,264
Depreciation and amortisation	2,901	—	2,901

31. SEGMENT INFORMATION *(continued)*

b. Geographical segments

Turnover and results by geographical location are determined mainly on the basis of the destination of shipment of merchandise. An analysis by geographical location is as follows:

	Fifteen months ended 30th June 2002			
	Hong Kong/ Mainland China	**Japan**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Turnover	**27,720**	**118,832**	**4,868**	**151,420**
Segment results	**(2,851)**	**(12,221)**	**(501)**	**(15,573)**

	Year ended 31st March 2001			
	Hong Kong/ Mainland China	Japan	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	21,721	164,988	6,404	193,113
Segment results	5,515	41,893	1,626	49,034

The Group's business operations are primarily in Mainland China and Hong Kong. Accordingly, all of the Group's assets are located in Mainland China and Hong Kong.

32. OPERATING LEASE COMMITMENTS

The Group had commitment in respect of rented premise under certain non-cancellable operating lease agreements. The amounts of commitment payable under these agreements were analysed as follows:

	30th June 2002	31st March 2001
	HK$'000	*HK$'000*
Amounts payable		
— within one year	**1,082**	492
— between one and two years	**135**	287
	1,217	779

33. BANKING FACILITIES AND PLEDGE OF ASSETS

As at 30th June 2002, the Group had aggregate and utilised banking facilities of approximately HK$22,384,000 (2001 — HK$6,542,000) from several banks for loans which were secured by corporate guarantees provided by certain third parties and pledge of the Group's land and buildings with a net book value of approximately HK$38,905,000 (2001 — Nil).

34. RETIREMENT BENEFITS

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"). The MPF Scheme is a defined contribution scheme managed by an independent trustee. Under the MPF scheme, each of the Group and its employees make monthly contribution to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employee's contribution are subject to a cap of monthly earnings of HK$20,000 and thereafter contributions are voluntary. During the fifteen months ended 30th June 2002, the aggregate amount of employer's contribution made by the Group to the MPF Scheme was approximately HK$30,000 (2001 — HK$8,000).

34. RETIREMENT BENEFITS *(continued)*

As stipulated by the rules and regulations in Mainland China, the Group contributes to a state-sponsored retirement plans for its employees in Mainland China. The Group contributes to retirement plans approximately 14% to 19% of the basic salaries of its employees, and has no further obligations for the actual payment of pensions or post-retirement benefits. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees. For the fifteen months ended 30th June 2002, the aggregate amount of the Group's employer contributions was approximately HK$953,000 (2001 — HK$653,000). There was no forfeited contributions utilised to reduce the Group's future employer contributions.

35. COMPARATIVE FIGURES

On 28th September 2000, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation ("the Reorganisation") which included exchange of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated income statement and cash flow statement for the year ended 31st March 2001 were prepared as if the Company had been the holding company of the other companies comprising the Group throughout that year, rather than from the date on which the Reorganisation was completed.

By a board resolution dated 12th March 2002, the Company changed its financial year end from 31st March to 30th June. Accordingly, the accompanying accounts were prepared on a fifteen-month basis from 1st April 2001 to 30th June 2002 and the accounts as at and for the year ended 31st March 2001 were presented as comparative figures.

36. SUBSEQUENT EVENTS

a. On 4th July 2002, the Group advanced HK$17,600,000 to ‘Company A’ (refer to Note 3 for other transactions entered into with ‘Company A’ by the Group). Such loan is unsecured, carries interest at 3% per annum and repayable on 3rd June 2003.

b. Pursuant to a directors’ resolution passed on 28th October 2002, the Directors resolved to approve the disposal of all of the Group’s furniture manufacturing and trading operations, currently undertaken by Xiamen Xiyingmen Furniture Product Co., Ltd. and Kingsight Pacific Limited, wholly owned subsidiaries, by accepting an offer from ’Company E’ to acquire these operations for a cash consideration of HK$46 million on 26th October 2002. Such consideration approximates the aggregate net asset value of the operations and will be settled by installments over the period from November 2002 to January 2003.

The Directors and the Group’s management consider ‘Company A’ and ’Company E’ being independent third parties who are not related to the Group.

37. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 30th October 2002.