

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 1. GENERAL

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

The Company is an investment holding company. The activities of its subsidiaries are set out in note 37.

### 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In current year, the Group adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and inclusion of the statement of changes in equity. These changes have had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

#### Cash Flow Statements

In current year, the Group adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating and investing cash flows, respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

#### Foreign Currencies

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas operations/subsidiaries at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

#### Employee Benefits

In the current period, the Group adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

#### **Basis of consolidation**

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

#### **Investments in subsidiaries**

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

#### **Revenue recognition**

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

*For the Year Ended 31st March, 2003*

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### **Revenue recognition (Cont'd)**

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

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

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

#### **Investment properties**

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

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

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

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

#### **Property, plant and equipment**

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



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Property, plant and equipment (Cont'd)

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

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

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

#### Impairment

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

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

#### Properties under development

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

## NOTES TO THE FINANCIAL STATEMENTS

*For the Year Ended 31st March, 2003*

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### **Investments in securities**

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are carried at fair value, with unrealised gains and losses included in net profit or loss for the year.

#### **Inventories**

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated sales proceeds less estimated selling expenses.

Inventories other than properties held for sale, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

#### **Engineering services contracts**

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

#### Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### Taxation

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

#### Operating leases

Rentals payables/receivables under operating leases are charged/credited to the income statement on a straight line basis over the term of the relevant lease.

#### Retirement benefits scheme

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 4. TURNOVER

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

	2003 HK\$'000	2002 HK\$'000
Sale of properties	21,825	–
Trading of motorcycles	11,562	9,959
Rental income	809	1,458
Trading of air conditioning equipment and provision of engineering related services	7,080	29,749
Trading of pharmaceutical products	–	3,459
	<u>41,276</u>	<u>44,625</u>

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

### 5. OTHER OPERATING EXPENSES

	2003 HK\$'000	2002 HK\$'000
Other operating expenses comprise:		
Impairment loss recognised in respect of leasehold properties	–	3,600
Deficit arising on revaluation of investment properties	1,500	2,500
Loss on disposal of property, plant and equipment	–	1,898
Loss on disposal of investment properties	–	1,331
	<u>1,500</u>	<u>9,329</u>

### 6. RECOGNITION OF NEGATIVE GOODWILL

Negative goodwill was recognised as income over the remaining weighted average useful life of the identifiable depreciable non-monetary assets acquired by the Group. The remaining balance of negative goodwill was eliminated upon the disposal of subsidiaries in 2002.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 7. LOSS FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Auditors' remuneration:		
– current year	404	405
– underprovision in the previous year	379	93
	<u>783</u>	<u>498</u>
Depreciation and amortisation on		
– owned assets	288	888
– asset held under a finance lease	–	41
Retirement benefits scheme contributions, net of forfeited contributions of HK\$83,000 (2002: HK\$163,000)	77	321
Staff costs, including directors' remuneration	<u>6,270</u>	<u>15,376</u>
	6,347	15,697
Dividend income from listed investments in securities	–	(71)
Dividend income from unlisted investments in securities	(244)	(93)
Gain on disposal of property, plant and equipment	(16)	–
Gain on disposal of investment securities	(197)	–
Loss on disposal of other investments	542	1,008
Interest income	<u>(6,099)</u>	<u>(2,827)</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 8. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	9,849	9,849
– bank borrowings not wholly repayable within five years	98	20
– a finance lease	–	34
	<u>9,947</u>	<u>9,903</u>
Less: Amount capitalised to properties under development	(4,791)	(9,849)
	<u>5,156</u>	<u>54</u>

### 9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

#### A. Directors' emoluments

	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	–	132
	<u>–</u>	<u>132</u>
Other emoluments paid to executive directors:		
Salaries and other benefits	3,038	7,260
Retirement benefits scheme contributions	49	252
	<u>3,087</u>	<u>7,512</u>
	<u>3,087</u>	<u>7,644</u>

The directors' emoluments were within the following bands:

	Number of directors	
	2003	2002
Nil – HK\$1,000,000	8	8
HK\$1,000,001 – HK\$1,500,000	–	4
HK\$1,500,001 – HK\$2,000,000	1	1
	<u>8</u>	<u>13</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

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

#### B. Highest paid individuals

Of the five individuals with the highest emoluments in the Group, five (2002: four) were directors of the Company whose emoluments are disclosed in (A) above. Of these five directors, two of them (2002: none) were appointed or resigned during the year. Their emoluments of HK\$556,000 which were arisen in the position of employees and before appointment or after resignation as directors, were excluded from (A) above. Their emoluments (2002: the remaining one individual) were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	533	1,125
Retirement benefits scheme contributions	23	34
	<u>556</u>	<u>1,159</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 10. DISCONTINUING OPERATIONS

In August 2002, the Group ceased its operations in the trading of air conditioning equipment and provision of engineering related services after the disposal of a subsidiary, King-Tech Engineering Company Limited ("King-Tech Engineering").

The results of the discontinuing operations were as follows:

	<b>Period ended 31st July, 2002 HK\$'000</b>	2002 HK\$'000
Turnover	7,080	29,749
Cost of sales	<u>(5,301)</u>	<u>(20,887)</u>
	1,779	8,862
Other operating income	59	6,443
Distribution costs	(85)	(4,010)
Administrative expenses	(1,841)	(5,870)
Provision for bad and doubtful debts	<u>(5,280)</u>	<u>(4,171)</u>
(Loss) profit before minority interest	(5,368)	1,254
Minority interest	<u>—</u>	<u>—</u>
Loss for the period up to date of discontinuance	<u>(5,368)</u>	<u>1,254</u>

During the year, King-Tech Engineering contributed HK\$1,462,000 to the Group's net operating cash outflows and received HK\$750,000 in respect of investing activities.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 10. DISCONTINUING OPERATIONS (Cont'd)

The carrying amounts of the assets and liabilities of King-Tech Engineering at the date of disposal and at 31st March, 2002 were as follows:

	2003 HK\$'000	2002 HK\$'000
Total assets	<u>11,808</u>	<u>16,614</u>
Total liabilities	<u>(9,595)</u>	<u>(8,472)</u>

Loss on disposal of discontinuing operations of HK\$713,000 arose on the disposal of King-Tech Engineering, being the proceeds of disposal less the carrying amount of the subsidiary's net assets as referred to note 27.

### 11. TAXATION

	2003 HK\$'000	2002 HK\$'000
The charge comprises taxation outside Hong Kong:		
The Company and subsidiaries	–	43
Share of taxation of an associate	–	1,154
Share of taxation of a jointly controlled entity	–	6,417
	<u>–</u>	<u>7,614</u>

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 11. TAXATION (Cont'd)

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

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences attributable to:				
Tax losses incurred during the year	1,766	5,682	254	516
Others	(2)	25	(1)	–
	<u>1,764</u>	<u>5,707</u>	<u>253</u>	<u>516</u>

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

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences attributable to:				
Unutilised tax losses	33,244	31,478	770	516
Others	(79)	(77)	(1)	–
	<u>33,165</u>	<u>31,401</u>	<u>769</u>	<u>516</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 12. LOSS PER SHARE

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

	2003	2002 (Restated)
Loss for the year	<u>HK\$51,556,000</u>	<u>HK\$59,019,000</u>
Weighted average number of shares for the purposes of basic loss per share	<u>113,341,081</u>	<u>97,626,177</u>

For the purposes of calculating basic loss per share, the weighted average number of shares have been adjusted to reflect the capital reorganisation in April 2003 as referred to in note 36.

No diluted loss per share is presented as the exercise prices of the share options were higher than the market price of the Company's ordinary shares.

### 13. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
<b>VALUATION</b>	
At 1st April, 2002	24,500
Disposal of subsidiaries	(6,000)
Deficit arising on revaluation	<u>(1,500)</u>
At 31st March, 2003	<u>17,000</u>

The investment properties of the Group were leased out for rental purposes under operating leases and were revalued at 31st March, 2003 by an independent firm of professional valuers, chartered surveyors, on an open market value existing use basis. The resulting deficit arising on revaluation of HK\$1,500,000 has been charged to the consolidated income statement.

The Group's investment properties comprise:

	2003 HK\$'000	2002 HK\$'000
Properties situated in Hong Kong held under long leases	–	6,000
Properties situated in Hong Kong held under medium term leases	<u>17,000</u>	<u>18,500</u>
	<u>17,000</u>	<u>24,500</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>				
<b>COST</b>				
At 1st April, 2002	5,958	2,028	596	8,582
Additions	58	481	500	1,039
Disposal of subsidiaries	–	(1,103)	–	(1,103)
Disposals	(2,721)	(3)	(712)	(3,436)
At 31st March, 2003	<b>3,295</b>	<b>1,403</b>	<b>384</b>	<b>5,082</b>
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT</b>				
At 1st April, 2002	4,601	1,487	38	6,126
Provided for the year	21	125	142	288
Eliminated on disposal of subsidiaries	–	(1,058)	–	(1,058)
Eliminated on disposals	(2,557)	(1)	(76)	(2,634)
At 31st March, 2003	<b>2,065</b>	<b>553</b>	<b>104</b>	<b>2,722</b>
<b>NET BOOK VALUES</b>				
At 31st March, 2003	<b>1,230</b>	<b>850</b>	<b>280</b>	<b>2,360</b>
At 31st March, 2002	1,357	541	558	2,456

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	<b>Furniture, fixtures and machinery</b>
	HK\$'000
<b>THE COMPANY</b>	
<b>COST</b>	
At 1st April, 2002 and 31st March, 2003	<u>6</u>
<b>DEPRECIATION</b>	
At 1st April, 2002	1
Provided for the year	<u>1</u>
At 31st March, 2003	<u>2</u>
<b>NET BOOK VALUES</b>	
At 31st March, 2003	<u>4</u>
At 31st March, 2002	<u>5</u>

The Group's leasehold land and buildings were situated in the People's Republic of China, other than Hong Kong (the "PRC") and were held under medium term land use rights.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 15. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>						
Equity securities:						
Listed in Hong Kong	–	–	33,013	416	33,013	416
Listed outside Hong Kong	–	27	–	–	–	27
	<u>–</u>	<u>27</u>	<u>33,013</u>	<u>416</u>	<u>33,013</u>	<u>443</u>
Market value of listed securities	–	221	33,013	416	33,013	637
Carrying amount analysed for reporting purposes as:						
Non-current	–	27	–	–	–	27
Current	–	–	33,013	416	33,013	416
	<u>–</u>	<u>27</u>	<u>33,013</u>	<u>416</u>	<u>33,013</u>	<u>443</u>

### 16. INTERESTS IN SUBSIDIARIES

	2003	2002
	HK\$'000	HK\$'000
Unlisted shares	183,277	183,277
Amounts due from subsidiaries	609,104	561,066
	<u>792,381</u>	<u>744,343</u>
Less: Impairment losses	(636,170)	(584,440)
	<u>156,211</u>	<u>159,903</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 16. INTERESTS IN SUBSIDIARIES (Cont'd)

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

An impairment loss of HK\$51,730,000 (2002: HK\$59,000,000) has been recognised in respect of the investment in and advances to subsidiaries to their recoverable amounts which are determined by reference to the fair value of the underlying assets of the respective subsidiaries at the balance sheet date.

Particulars of the subsidiaries at 31st March, 2003 are set out in note 37.

### 17. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2003 HK\$'000	2002 HK\$'000
Land cost	291,900	291,900
Development costs	98,044	58,171
Interest capitalised	69,330	64,539
	<u>459,274</u>	<u>414,610</u>
Less: Impairment loss	(268,940)	(243,519)
Transfer to properties held for sale	(190,334)	–
	<u>–</u>	<u>171,091</u>

The Group's properties under development are situated in Hong Kong and are held under a long lease. During the year, the carrying amount of properties under development was transferred to properties held for sale.

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### 18. INVENTORIES

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Properties held for sale	168,306	–
Finished goods	–	560
	168,306	560

At 31st March, 2003, the properties held for sale are carried at the carrying value transferred from properties under development. At 31st March, 2002, the finished goods were carried at cost.

### 19. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

	The Group	
	2003	2002
	HK\$'000	HK\$'000
0 – 60 days	429	14,893
61 – 90 days	9	99
Over 90 days	43	159
	481	15,151
Other debtors, deposits and prepayments	7,606	6,802
	8,087	21,953

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### 20. CREDITORS AND ACCRUED CHARGES

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

	The Group	
	2003 HK\$'000	2002 HK\$'000
0 – 60 days	1,630	10,763
61 – 90 days	495	736
Over 90 days	1,173	2,705
	<u>3,298</u>	<u>14,204</u>
Other creditors and accrued expenses	11,327	4,589
	<u>14,625</u>	<u>18,793</u>

### 21. AMOUNTS DUE TO CUSTOMERS FOR CONTRACT WORK

	The Group	
	2003 HK\$'000	2002 HK\$'000
Costs incurred to date plus recognised profits		
less recognised losses	1,808	1,808
Less: Progress billings	(2,263)	(2,263)
Eliminated on disposal of a subsidiary	455	–
	<u>–</u>	<u>(455)</u>
Represented by:		
Due to customers included in current liabilities	<u>–</u>	<u>(455)</u>



## NOTES TO THE FINANCIAL STATEMENTS

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### 22. SECURED BANK AND OTHER BORROWINGS

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Bank loans	168,688	174,996
Other borrowings	9,765	—
	<u>178,453</u>	<u>174,996</u>
The borrowings are repayable as follows:		
Within one year or on demand	178,453	170,919
More than one year, but not exceeding two years	—	109
More than two years, but not exceeding five years	—	346
More than five years	—	3,622
	<u>178,453</u>	<u>174,996</u>
Less: Amount due within one year shown under current liabilities	<u>(178,453)</u>	<u>(170,919)</u>
Amount due after one year	<u>—</u>	<u>4,077</u>

### 23. MINORITY INTERESTS

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Loans from minority shareholders of a subsidiary	109,758	95,077
Share of net liabilities attributable to minority shareholders of subsidiaries	<u>(111,570)</u>	<u>(97,794)</u>
	<u>(1,812)</u>	<u>(2,717)</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 23. MINORITY INTERESTS (Cont'd)

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

### 24. SHARE CAPITAL

	Number of shares		Amount	
	2003	2002	2003 HK\$'000	2002 HK\$'000
Shares of HK\$0.10 each				
Authorised:				
At beginning and end of the year	<u>4,000,000,000</u>	<u>4,000,000,000</u>	<u>400,000</u>	<u>400,000</u>
Issued and fully paid:				
At beginning of the year	<u>1,953,753,121</u>	1,951,993,121	<u>195,375</u>	195,199
Exercise of share options	–	1,760,000	–	176
Issue of shares	<u>390,000,000</u>	–	<u>39,000</u>	–
At end of the year	<u>2,343,753,121</u>	<u>1,953,753,121</u>	<u>234,375</u>	<u>195,375</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

*For the Year Ended 31st March, 2003*

### 25. SHARE OPTIONS

#### **Scheme adopted on 28th February, 1994 (the “1994” Scheme)**

The 1994 Scheme was adopted on 28th February, 1994 for the primary purpose of providing incentives to directors and eligible employees and will expire on 27th February, 2004. Under the 1994 Scheme, the Board of Directors of the Company may grant share options to eligible employees, including directors of the Company and its subsidiaries.

Share options granted should be accepted within 14 days from the date of grant, upon payment of HK\$1 per each grant of share option(s). The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the nominal value of shares; and (ii) 80% of the average closing price of the shares for the five business days immediately preceding the date of grant.

At 31st March, 2003, the number of shares in respect of which options had been granted and remained outstanding under the 1994 Scheme was 11,889,000, representing approximately 0.5% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the 1994 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. No share options were granted or exercised during the year under the 1994 Scheme.

No option may be granted to any one person which if exercised in full would result in the total number of shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 25% of the number of shares issued and issuable under all the options which may be granted under the 1994 Scheme at the time it is proposed to grant the said option to that person.

Share options may be exercised in accordance with the terms of the 1994 Scheme at any time after the date upon which the option is granted and prior to the expiry of ten years from that date, provided that, in the five years from the date of grant, the exercise of the option shall be restricted to a cumulative total of 20% of the entitlement to the option in each year. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of 1994 Scheme.

Pursuant to a resolution passed on 26th August, 2002, the 1994 Scheme was terminated.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 25. SHARE OPTIONS (Cont'd)

#### Scheme adopted on 26th August, 2002 (the "2002" Scheme)

Following the termination of the 1994 Scheme in August 2002, the 2002 Scheme was adopted pursuant to a resolution passed on 26th August, 2002 for the primary purpose of providing incentives to eligible persons and will expire on 25th August, 2012. Under the 2002 Scheme, the Board of Directors of the Company may grant share options to the following eligible persons to subscribe for shares in the Company:

- (i) employees including executive directors of the Company, its subsidiaries and any companies in which the Company holds any equity interest; or
- (ii) non-executive directors of the Company, its subsidiaries and any companies in which the Company holds any equity interest; or
- (iii) suppliers or customers; or
- (iv) consultants, advisers or agents

Share options granted should be accepted within 28 days of the date of grant, upon payment of HK\$1 per each grant of share option(s). The exercise price is determined at the highest of: (i) the closing price of the shares on the date of grant of the share option; or (ii) the average closing price of shares on the five trading days immediately preceding the date of grant or (iii) the nominal value of shares on the date of grant.

Share options may be exercised in accordance with the terms of the 2002 Scheme at any time after the date upon which the option is granted and accepted and prior to the expiry of ten years from that date.

The maximum number of shares in respect of which share options under the 2002 Scheme may be granted when aggregated with the maximum number of shares in respect of which options may be granted under all the other schemes (the "Scheme Limit") is 10% of shares in issue on the adoption date of the 2002 Scheme. The Scheme Limit may be refreshed by a resolution in shareholders' meeting such that the total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other schemes shall not exceed 10% of the shares in issue as at the date of such shareholder's approval. However, the Scheme Limit and any increase in the Scheme Limit shall not result in the number of shares which may be issued upon exercise of all outstanding share options granted under the 2002 Scheme and other schemes exceed 30% of the shares in issue from time to time. No person shall be granted a share option, within 12-month period of the date of grant, exceeds 1% of the shares in issue as at the date of grant.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 25. SHARE OPTIONS (Cont'd)

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

Option type	Outstanding at 1.4.2002	Exercised during the year	Cancelled during the year	Outstanding at 31.3.2003
1994 Scheme	43,169,000	–	(31,280,000)	11,889,000
Option type	Outstanding at 1.4.2001	Exercised during the year	Cancelled during the year	Outstanding at 31.3.2002
1994 Scheme	134,286,000	(1,760,000)	(89,357,000)	43,169,000

Details of the share options held by the directors included in the above table are as follows:

Year	Outstanding at 1st April	Exercised during the year	Cancelled during the year	Outstanding at 31st March
2003	19,580,000	–	(8,800,000)	10,780,000
2002	120,985,000	–	(88,445,000)	32,540,000

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 25. SHARE OPTIONS (Cont'd)

Details of the share options of the 1994 Scheme outstanding at 31st March, 2003 are as follows:

Date of grant	Exercisable period	Exercise price HK\$	Number of shares to be issued upon exercise of the share options
30.4.1997	30th April, 1997 to 29th April, 2007	0.792	1,080,000
2.5.1997	2nd May, 1997 to 1st May, 2007	0.825	480,000
19.6.1997	19th June, 1997 to 18th June, 2007	1.092	168,000
2.2.1998	2nd February, 1998 to 1st February, 2008	0.100	111,000
25.11.1998	25th November, 1998 to 24th November, 2008	0.105	440,000
17.11.1999	17th November, 1999 to 16th November, 2009	0.117	210,000
20.12.1999	20th December, 1999 to 19th December, 2009	0.128	1,500,000
14.3.2000	14th March, 2000 to 13th March, 2010	0.330	7,900,000
			11,889,000

There was no option granted under the 2002 Scheme since its adoption.

### 26. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000 (note)	Deficit HK\$'000	Total HK\$'000
<b>THE COMPANY</b>					
At 1st April, 2001	335,735	646	173,869	(474,513)	35,737
Premium arising on issue of shares	9	—	—	—	9
Loss for the year	—	—	—	(60,198)	(60,198)
At 31st March, 2002	335,744	646	173,869	(534,711)	(24,452)
Expenses incurred in connection with issue of shares	(745)	—	—	—	(745)
Loss for the year	—	—	—	(53,273)	(53,273)
At 31st March, 2003	<b>334,999</b>	<b>646</b>	<b>173,869</b>	<b>(587,984)</b>	<b>(78,470)</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 26. RESERVES (Cont'd)

*Note:* The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company at the date of the group reorganisation in 1994 less any dividends distributed from the pre-reorganisation reserves and the nominal amount of the Company's share capital issued as consideration for the acquisition.

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

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

In the opinion of the directors, the Company has no reserves available for distribution to shareholders at 31st March, 2003 and 31st March, 2002.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 27. DISPOSAL OF SUBSIDIARIES/BUSINESS

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of:		
Property, plant and equipment	45	5,082
Investment property	6,000	–
Interest in a jointly controlled entity	–	118,312
Interest in an associate	–	24,296
Investments in securities	–	310
Inventories	2,288	1,997
Debtors, deposits and prepayments	8,614	1,866
Bank balances and cash	865	2,384
Other loans	–	(60,000)
Creditors and accrued charges	(9,207)	(2,174)
Amounts due to customers for contract work	(455)	–
Secured bank borrowings	(4,094)	–
Taxation	–	(43)
Minority interests	–	(505)
	<u>4,056</u>	<u>91,525</u>
Attributable negative goodwill	–	(43,780)
Translation reserve realised	–	(1,406)
General reserve realised	–	(1,189)
	<u>4,056</u>	<u>45,150</u>
Loss on disposal of discontinuing operations	(713)	(5,842)
Loss on disposal of subsidiaries	(341)	(5,531)
	<u>3,002</u>	<u>33,777</u>
Satisfied by:		
Cash	<u>3,002</u>	<u>33,777</u>
Net cash inflow arising on disposal:		
Cash consideration	3,002	33,777
Bank balances and cash disposed of	(865)	(2,384)
	<u>2,137</u>	<u>31,393</u>

The subsidiaries disposed of during the year contributed approximately HK\$7,331,000 (2002: HK\$3,459,000) to the Group's turnover and a loss of approximately HK\$5,246,000 (2002: HK\$20,640,000) to the Group's results from operations.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 28. ACQUISITION OF A SUBSIDIARY

	2003 HK\$'000	2002 HK\$'000
Net assets acquired:		
Investments in securities	12,712	–
Other borrowings	(12,712)	–
	<u>–</u>	<u>–</u>

The subsidiary was acquired at cash consideration of HK\$2 and did not have significant contribution to the Group's loss from operations.

### 29. CONTINGENT LIABILITIES

At 31st March, 2003, the Group had given an indemnity to the purchaser relating to unrecorded taxation liabilities, if any, and warranties relating to the affairs and businesses of a subsidiary disposed of in the previous year. The maximum aggregate liability of the Group in respect of all claims for breach of the warranties shall, when taken together with the aggregate liability of the Group in respect of all claims under the indemnity, not exceed the sum of HK\$60,000,000 (2002: HK\$60,000,000). All related claims may be brought against the Group up to the expiry of 10 years from 31st March, 1998.

At 31st March, 2003, the Company had outstanding corporate guarantees amounting to approximately HK\$118,400,000 (2002: HK\$123,400,000) issued in favour of banks to secure general banking facilities granted by the banks to its subsidiaries and had given guarantees to security companies in respect of the obligations of security accounts opened in the security companies by its subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 30. LITIGATION

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

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

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

### 31. CAPITAL COMMITMENTS

	The Group	
	2003 HK\$'000	2002 HK\$'000
Capital commitments contracted for but not provided in the financial statements:		
For property development projects	–	39,087
For acquisition of property, plant and equipment	–	8,550
	–	47,637

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 32. OPERATING LEASE COMMITMENTS

#### The Group as lessee

Minimum lease payments paid under operating leases for premises during the year was approximately HK\$505,000 (2002: HK\$1,779,000).

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

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Within one year	294	510
In the second to fifth year inclusive	374	—
	<u>668</u>	<u>510</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and fixed for a term of three years.

At 31st March, 2003, the Company had no commitments under operating leases (2002: Nil).

#### The Group as lessor

Property rental income earned during the year was approximately HK\$809,000 (2002: HK\$1,458,000).

The investment property is expected to generate rental yields of 3.28% (2002: 4%) on an ongoing basis and the Group has committed tenant for the next year.

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

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Within one year	152	706
In the second to fifth year inclusive	—	480
	<u>152</u>	<u>1,186</u>

## NOTES TO THE FINANCIAL STATEMENTS

*For the Year Ended 31st March, 2003*

### 33. PLEDGE OF ASSETS

At 31st March, 2003, the Group's bank and other borrowings were secured by the following:

- (a) legal charges over the properties held for sale of the Group with a carrying value of HK\$168,306,000 (2002: properties under development of HK\$171,091,000);
- (b) a share charge of a subsidiary, Master Super Development Limited ("Master Super");
- (c) a floating charge on all the assets, including but not limited to the uncalled capital, of Master Super;
- (d) assignments of the right, title, interest and benefits in and under all the existing and future building contracts in respect of the Group's properties held for sale (2002: properties under development) in Hong Kong;
- (e) the benefit under all insurance policies of the Group's properties held for sale (2002: properties under development) in Hong Kong;
- (f) the future sales proceeds, rentals and other earnings generated from the Group's properties held for sale (2002: properties under development);
- (g) subordination of shareholders' loans of Master Super; and
- (h) Other investments with a carrying value of HK\$9,765,000 (2002: nil).

In addition to the above, at 31st March, 2002, the Group's bank borrowings were also secured by the following:

- (a) bank deposits of HK\$5,000,000; and
- (b) investment properties of the Group, together with the rental income receivable from letting of the investment properties, with carrying value of approximately HK\$24,500,000.

The pledge of these bank deposits and investment properties were released during the year ended 31st March, 2003.





## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 34. RELATED PARTY TRANSACTIONS

- (a) During the year, Master Super, a 60% owned subsidiary of the Company, obtained additional shareholders' loans of HK\$36,700,000 from the Group and two shareholder companies controlled by Mr. Wong Chun Hong ("Mr. Wong"), an ex-director of the Company. At 31st March, 2003, the outstanding balance of the loans from the Group and the shareholder companies amounted to approximately HK\$164,636,000 (2002: HK\$142,616,000) and HK\$109,758,000 (2002: HK\$95,077,000), respectively.

The loans are unsecured, interest free, repayable on demand and made on a pro rata basis with reference to the equity holding in Master Super. Details of the balance of the loans advanced by the above shareholder companies as at 31st March, 2003 are set out in note 23.

In addition, Mr. Wong and the Company have given guarantees amounting to HK\$194,000,000 (2002: HK\$194,000,000) in favour of a bank to secure banking facilities granted to Master Super. The guarantees were given on a pro rata basis with reference to the equity holding in Master Super without consideration.

- (b) During the year ended 31st March, 2002, Cheung Tai Hong Holdings (Property) Limited ("CTH Property"), a wholly-owned subsidiary of the Company, entered into an agreement with Master Super to purchase a commercial unit in Talon Tower, Sheung Wan (the "Premise") at a consideration of HK\$9,500,000. A deposit of HK\$950,000 had been paid to Master Super.

In July 2002, CTH Property entered into an agreement with Master Super to cancel the purchase of the Premise and Master Super repaid the deposit of HK\$950,000, together with the interest accrued thereon to CTH Property.

- (c) During the year, the Group received a sum of HK\$560,000 (2002: Nil) for sharing of administrative expenses from Top Universal Management Limited ("Top Universal"), a company in which Mr. Ding Chung Keung, Vincent and Ms. Lin Fung Yi, directors of the Company, are also directors. Mr. Tse Cho Tseung, director of the Company, was ex-director of and had beneficial interests in Top Universal. Top Universal is a wholly-owned subsidiary of Capital Estate Limited (formerly known as Yoshiya International Corporation, Limited), a listed company on the Stock Exchange. The amount was negotiated by reference to prevailing market rates.
- (d) In April 1999, the Group entered into a lease agreement with Mr. Lee Sai Kai, David ("Mr. Lee"), an ex-director of the Company, under which an investment property of the Group was leased to Mr. Lee for a period of three years commencing 1st August, 1999 for a monthly rental of HK\$17,000 exclusive of rates and management fee. The rental income received by the Group during the year ended 31st March, 2002, amounting to HK\$204,000.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 34. RELATED PARTY TRANSACTIONS (Cont'd)

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

- (e) During the year ended 31st March, 2001, the Group entered into a lease agreement with a related company, 祥泰信息諮詢(深圳)有限公司, a company in which Mr. Wong has a beneficial interest. Under the lease agreement, an investment property of the Group situated outside Hong Kong was leased to the related company for a period of two years commencing 15th December, 2000 for a monthly rental of approximately HK\$4,000. On 10th July, 2001, the lease agreement was terminated by mutual consent of both parties. The rental income received by the Group during the year ended 31st March, 2002, amounting to HK\$15,000. The rental was negotiated by reference to prevailing market rates.
- (f) During the year ended 31st March, 2002, the interest income received from the jointly controlled entity amounting to approximately HK\$97,000.

### 35. RETIREMENT BENEFITS SCHEME

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

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

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

With effect from 1st December, 2000, the Group has also joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme. The contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 36. POST BALANCE SHEET EVENT

Pursuant to an announcement dated 6th March, 2003 (the “Announcement”) and resolutions passed on 14th April, 2003, a capital reorganisation (the “Capital Reorganisation”) was passed and with effect from 15th April, 2003 which involved:

- (a) (i) the nominal value of all issued ordinary shares of HK\$0.10 each in the share capital of the Company (the “Share(s)”) would be reduced by HK\$0.0995 each by canceling an equivalent amount of paid-up capital of the Share so that the nominal value of each such Share would be reduced from HK\$0.10 to HK\$0.0005. Accordingly, based upon 2,343,753,121 Shares in issue as at the date of the Announcement, the issued share capital of the Company of HK\$234,375,000 would be reduced by HK\$233,203,000 to HK\$1,172,000 (the “Capital Reduction”);
- (ii) the credit arising from such reduction would be credited to the contributed surplus account of the Company;
- (b) every unissued Share of HK\$0.10 would be sub-divided into 200 unissued shares of HK\$0.0005 each (the “Share Sub-division”);
- (c) every 20 issued and unissued shares of HK\$0.0005 each in the capital of the Company would be consolidated into one new ordinary share of HK\$0.01 each in the share capital of the Company comprising the authorized share capital of the Company following the Capital Reorganisation (the “Consolidated Share(s)”). On such basis and after the Capital Reduction, there would be 117,187,656 Consolidated Shares in issue (the “Share Consolidation”); and
- (d) the share premium as at 31st January, 2003 in the share premium account of the Company would be cancelled and the credit arising therefrom would be credited to the contributed surplus account of the Company. Based on the unaudited management accounts of the Company as at 31st January, 2003, the share premium account of the Company amounted to approximately HK\$335 million.

Part of the credit transferred to the contributed surplus account of the Company mentioned in (a)(ii) and (d) above would be used to set off against the deficit of the Company as at 31st January, 2003. According to the unaudited management accounts of the Company as at 31st January, 2003, the deficit of the Company amounted to approximately HK\$535.9 million.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 37. SUBSIDIARIES

Particulars of the Company's subsidiaries at 31st March, 2003 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of issued share capital held by the Company		Principal activities
			Directly %	Indirectly %	
Cheung Tai Hong (B.V.I.) Limited	British Virgin Islands	US\$50,000 ordinary shares	100	–	Investment holding
Cheung Tai Hong (China) Limited	Hong Kong	HK\$2 ordinary shares	–	100	Property holding
Cheung Tai Hong Holdings (Foods) Limited	Hong Kong	HK\$2 ordinary shares	–	100	Inactive
Cheung Tai Hong Holdings (Pharmacy) Limited	Hong Kong	HK\$2 ordinary shares	–	100	Inactive
CTH Property	Hong Kong	HK\$10,000,000 ordinary shares	–	100	Investment holding
Cheung Tai Hong Holdings (REA) Limited	Hong Kong	HK\$2 ordinary shares	–	60	Provision of sales and marketing services
CTHHTL	Hong Kong	HK\$2 ordinary shares	–	100	Investment holding
Cheung Tai Hong, Limited	Hong Kong	HK\$2,000 ordinary shares	–	100	Investment holding
		HK\$500,000 non-voting deferred shares (note)	–	–	



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 37. SUBSIDIARIES (Cont'd)

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 37. SUBSIDIARIES (Cont'd)

*Note:* The non-voting deferred shares practically carry no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the respective companies nor to participate in any distribution on winding up.

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

### 38. SEGMENT INFORMATION

#### Business segments

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

Principal activities are as follows:

Property	–	property investment and development
Motorcycles	–	trading of motorcycles and spare parts
Air conditioning equipment	–	trading of air conditioning equipment and provision of engineering related services

In August 2002, the business of trading of air conditioning equipment and provision of engineering related services was disposed of.

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



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 38. SEGMENT INFORMATION (Cont'd)

Segment information about these businesses is presented below:

2003

	Continuing operations		Discontinuing operations	Consolidated HK\$'000
	Motorcycles HK\$'000	Property HK\$'000	Air conditioning equipment HK\$'000	
<b>INCOME STATEMENT</b>				
<b>FOR THE YEAR ENDED 31ST MARCH, 2003</b>				
REVENUE				
External sales	11,562	22,634	7,080	41,276
Segment results	(225)	(32,097)	(5,368)	(37,690)
Unallocated corporate expenses				(21,432)
Loss from operations				(59,122)
Finance costs				(5,156)
Loss on disposal of discontinuing operations	–	–	(713)	(713)
Loss on disposal of subsidiaries				(341)
Loss before taxation				(65,332)
Taxation				–
Loss before minority interests				(65,332)
Minority interests				(13,776)
Loss for the year				(51,556)
<b>BALANCE SHEET</b>				
<b>AT 31ST MARCH, 2003</b>				
ASSETS				
Segment assets	529	195,194	–	195,723
Unallocated corporate assets				153,155
Consolidated total assets				348,878
LIABILITIES				
Segment liabilities	44	14,150	–	14,194
Unallocated corporate liabilities				178,884
Consolidated total liabilities				193,078

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 38. SEGMENT INFORMATION (Cont'd)

2003 (Cont'd)

	Continuing operations		Discontinuing operations	Unallocated HK\$'000	Consolidated HK\$'000
	Motorcycles HK\$'000	Property HK\$'000	Air conditioning equipment HK\$'000		
<b>OTHER INFORMATION</b>					
Capital additions	–	89	3	947	1,039
Depreciation and amortisation	–	22	6	260	288
Impairment loss recognised in respect of properties under development	–	25,421	–	–	25,421
Deficit arising on revaluation of investment properties	–	1,500	–	–	1,500



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 38. SEGMENT INFORMATION (Cont'd)

2002

	Continuing operations		Discontinuing operations		Consolidated HK\$'000
	Motorcycles HK\$'000	Property HK\$'000	Air conditioning equipment HK\$'000	Pharmaceutical HK\$'000	
<b>INCOME STATEMENT</b>					
<i>FOR THE YEAR ENDED 31ST MARCH, 2002</i>					
<b>REVENUE</b>					
External sales	9,959	1,458	29,749	3,459	44,625
Segment results	(516)	(27,390)	1,254	(894)	(27,546)
Unallocated corporate expenses					(16,666)
Recognition of negative goodwill					6,173
Loss from operations					(38,039)
Finance costs					(54)
Share of results of associates					6,289
Share of results of a jointly controlled entity					(17,614)
Loss on disposal of discontinuing operations	-	-	-	(5,842)	(5,842)
Loss on disposal of subsidiaries					(5,531)
Loss before taxation					(60,791)
Taxation					(7,614)
Loss before minority interests					(68,405)
Minority interests					(9,386)
Loss for the year					(59,019)
<b>BALANCE SHEET</b>					
<i>AT 31ST MARCH, 2002</i>					
<b>ASSETS</b>					
Segment assets	2,191	203,738	16,614	177	222,720
Unallocated corporate assets					139,720
Consolidated total assets					362,440
<b>LIABILITIES</b>					
Segment liabilities	497	10,026	8,472	3	18,998
Unallocated corporate liabilities					175,246
Consolidated total liabilities					194,244

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 38. SEGMENT INFORMATION (Cont'd)

2002 (Cont'd)

	Continuing operations		Discontinuing operations			Consolidated HK\$'000
	Motorcycles HK\$'000	Property HK\$'000	Air conditioning		Unallocated HK\$'000	
			equipment HK\$'000	Pharmaceutical HK\$'000		
<b>OTHER INFORMATION</b>						
Capital additions	1,200	–	5	202	623	2,030
Depreciation and amortisation	7	–	26	146	750	929
Impairment loss recognised in respect of properties under development	–	21,843	–	–	–	21,843
Impairment loss recognised in respect of leasehold properties	–	–	–	–	3,600	3,600
Recognition of negative goodwill	–	(6,173)	–	–	–	(6,173)
Deficit arising on revaluation of investment properties	–	2,500	–	–	–	2,500

#### Geographical segments

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

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

	Sales revenue by geographical market		Loss from operations	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	34,196	11,268	(31,913)	(35,916)
PRC	7,080	33,357	(5,338)	5,120
	<u>41,276</u>	<u>44,625</u>	<u>(37,251)</u>	<u>(30,796)</u>
Corporate expenses			<u>(21,871)</u>	<u>(7,243)</u>
Loss from operations			<u>(59,122)</u>	<u>(38,039)</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2003

### 38. SEGMENT INFORMATION (Cont'd)

#### Geographical segments (Cont'd)

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	347,648	344,682	1,039	628
PRC	1,230	17,758	—	1,402
	<u>348,878</u>	<u>362,440</u>	<u>1,039</u>	<u>2,030</u>