



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

1. GENERAL

Hong Tong Holdings Limited (formerly known as “Yew Sang Hong (Holdings) Limited”) (“the Company”) was incorporated in the Cayman Islands on 2 January 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands.

The Company is an investment holding company. Its subsidiaries are principally engaged in electrical engineering contracting, trading of electrical equipment and materials, internet travel booking services, investment holding and securities brokerage. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 3 May 2001.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Company and its subsidiaries (collectively referred as the “Group”) have adopted, for the first time, the following new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants.

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of the statement of changes in equity. These changes have not had any material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

In the current period, the Group has 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, which was previously presented under a separate heading, is classified as operating cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude bills payable that are operating in nature. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain investment 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:

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition.

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

Investments in subsidiaries

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

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

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

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake economic activities which are subject to joint control.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Investments in securities

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

At subsequent reporting dates, other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Revenue recognition

Revenue on installation contracts is recognised using the percentage of completion method by reference to the value of work carried out during the year.

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

Income from investments is recognised when the Group's rights to receive payment have been established.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Brokerage commission income is recognised on a trade date basis when services are rendered.

Securities handling charges are recognised when services are rendered.

Service income is recognised when services are rendered.

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

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary. Negative goodwill represents the excess over the purchase consideration of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary.

Goodwill arising on acquisition is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisition is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Upon the disposal of an investment in a subsidiary, the remaining balances of goodwill (positive and negative) attributable to the subsidiary is included in the determination of profit or loss on disposal.

Property, plant and equipment

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

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

Leasehold improvements	20%
Furniture and fixtures	25%
Other equipment	25%
Motor vehicles	25%

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Installation contracts

When the outcome of an installation contract can be estimated reliably, contract revenue and costs are recognised in the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by surveys on work performed.

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

Intangible asset

Intangible asset represents one trading right in the Stock Exchange which is stated at cost less impairment loss and is amortised on a straight-line basis over 5 years.

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. An 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, but so 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.

Taxation

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

Leases

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

All other leases are classified as operating leases and their rentals payable are charged to the income statement on a straight line basis over the term of the relevant lease.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution schemes.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

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 and are recognised as income or as expense in the year in which the operation is disposed of.

4. TURNOVER

Turnover represents the aggregate of the value of contract work carried out, the proceeds from sales of goods, brokerage income, margin interest earned and internet travel booking service income during the year, and is analysed as follows:

	2003 HK\$'000	2002 HK\$'000
Electrical engineering contracting	168,749	65,145
Sale of goods	29,741	41,072
Brokerage income from securities dealing	516	—
Margin interest from securities brokerage business	520	—
Internet travel booking service income	196	—
	<u>199,722</u>	<u>106,217</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into four operating divisions as follows:

- Electrical engineering contracting
- Sale of electrical goods
- Securities brokerage
- Internet travel booking services



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting HK\$'000	Sale of electrical goods HK\$'000	Securities brokerage HK\$'000	Internet travel booking services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
As at 31 March 2003						
ASSETS						
Segment assets	32,058	13,122	11,347	24,220	—	80,747
Interests in associates						6,357
Interest in a joint venture						16,455
Unallocated corporate assets						131,783
Consolidated total assets						<u>235,342</u>
LIABILITIES						
Segment liabilities	26,911	6,190	768	6,874	—	40,743
Unallocated corporate liabilities						10,793
Consolidated total liabilities						<u>51,536</u>
OTHER INFORMATION						
Additions of property, plant and equipment and intangible assets	480	141	3,871	26,392	10,227	41,111
Amortisation of goodwill and trading right	—	—	476	1,067	—	1,543
Depreciation	283	238	197	232	1,847	2,797
Impairment losses recognised in income statement	—	—	900	1,112	—	2,012
Allowance for doubtful debts	—	1,469	—	—	—	1,469
Bad debt written off	499	452	—	—	—	951

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting	Sale of electrical goods	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 31 March 2002				
Turnover				
External sales	65,145	41,072	—	106,217
Inter-segment sales	—	7,165	(7,165)	—
	<u>65,145</u>	<u>48,237</u>	<u>(7,165)</u>	<u>106,217</u>
Total revenue	<u>65,145</u>	<u>48,237</u>	<u>(7,165)</u>	<u>106,217</u>
Inter-segment sales are charged at prevailing market rates.				
Results				
Segment result	<u>(1,011)</u>	<u>2,133</u>	<u>—</u>	1,122
Other operating income				3,176
Unallocated expenses				<u>(1,436)</u>
Profit from operations				2,862
Finance costs				<u>(193)</u>
Profit before taxation				2,669
Taxation				<u>(1,784)</u>
Net profit for the year				<u>885</u>



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting HK\$'000	Sale of electrical goods HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
As at 31 March 2002				
ASSETS				
Segment assets	41,917	20,686	—	62,603
Unallocated corporate assets				<u>92,577</u>
Consolidated total assets				<u><u>155,180</u></u>
LIABILITIES				
Segment liabilities	31,784	10,062	—	41,846
Unallocated corporate liabilities				<u>7,550</u>
Consolidated total liabilities				<u><u>49,396</u></u>
OTHER INFORMATION				
Additions of property, plant and equipment	282	582	297	1,161
Depreciation	217	188	—	405

(b) Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC"). The Group's electrical engineering contracting, sale of electrical goods and securities brokerage are located in Hong Kong. Internet travel booking services are located in the PRC.

Over 90% of the Group's revenues during the two years ended 31 March 2003 were in Hong Kong. Accordingly, no revenue for geographical information is presented.

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(b) Geographical segments (Continued)

	Carrying amount of consolidated total assets At 31 March		Additions to property, plant, equipment and intangible assets For the year ended 31 March	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	150,833	155,131	14,719	1,161
The PRC	84,466	—	26,392	—
	<u>235,299</u>	<u>155,131</u>	<u>41,111</u>	<u>1,161</u>
Unallocated assets	43	49	—	—
	<u>235,342</u>	<u>155,180</u>	<u>41,111</u>	<u>1,161</u>

6. OTHER OPERATING INCOME

	2003 HK\$'000	2002 HK\$'000
Other operating income includes:		
Exchange gain	48	88
Handling charges	125	—
Interest income	1,282	2,873
Unlisted investment income	1,241	—
Sundry income	313	215
	<u>3,009</u>	<u>3,176</u>

7. IMPAIRMENT LOSSES

	2003 HK\$'000	2002 HK\$'000
Impairment losses in respect of:		
Trading right in respect of securities trading (Note 19)	900	—
Goodwill arising from acquisition of subsidiaries (Note 16)	1,112	—
	<u>2,012</u>	<u>—</u>



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

8. (LOSS) PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Allowance for doubtful debts	1,469	236
Amortisation of goodwill arising on acquisition of subsidiaries included in administrative expenses (Note 16)	1,067	—
Amortisation of trading right in respect of securities trading included in administrative expenses (Note 19)	476	—
Auditors' remuneration	616	422
Bad debts written off	951	—
Depreciation of property, plant and equipment		
Owned assets	2,734	358
Assets under finance leases	63	47
Exchange losses	614	—
Loss on disposal of property, plant and equipment	23	13
Operating lease rentals in respect of		
— rented premises	5,552	945
— motor vehicles	173	—
Staff costs		
Directors' remuneration (Note 9)		
— fees	327	189
— other emoluments	10,608	6,205
— retirement benefit scheme contributions	148	241
	<u>11,083</u>	<u>6,635</u>
Other staff costs	15,096	10,523
Other staff retirement benefit scheme contributions	576	488
	<u>15,672</u>	<u>11,011</u>
Total staff costs	<u><u>26,755</u></u>	<u><u>17,646</u></u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

9. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive directors	—	—
Independent non-executive directors	<u>327</u>	<u>189</u>
	<u>327</u>	<u>189</u>
Other emoluments for executive directors:		
Salaries and other benefits	9,088	5,435
Performance related incentive payment	1,520	770
Contributions to retirement benefit scheme	<u>148</u>	<u>241</u>
	<u>10,756</u>	<u>6,446</u>
	<u><u>11,083</u></u>	<u><u>6,635</u></u>

Note: The directors' salaries and other benefits include the operating lease rentals amounting to HK\$2,373,000 (2002: nil) in respect of rented premises provided to directors. The amounts are also included in the minimum lease payments paid in respect of rented premises under note 8 above.

The emoluments of the directors were within the following bands:

	2003 Number of directors	2002 Number of directors
Nil to HK\$1,000,000	9	8
HK\$1,000,001 to HK\$1,500,000	—	1
HK\$1,500,001 to HK\$2,000,000	2	—
HK\$3,000,001 to HK\$3,500,000	<u>1</u>	<u>1</u>
	<u><u>12</u></u>	<u><u>10</u></u>



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

9. DIRECTORS' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments of the Group, three (2002: four) were directors of the Company whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining two (2002: one) highest paid individual were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and benefits	4,295	546
Contributions to retirement benefit scheme	129	27
	<u>4,424</u>	<u>573</u>

Note: During the year, two directors of the Company resigned and remain as employees of the Group. Their remuneration as directors amounting to HK\$3,530,000 already disclosed in (a) above have also been taken into account with other remuneration received as employees of the Group for the determination of the two highest paid individuals during the year. Accordingly, the remuneration of the remaining two highest paid individuals as disclosed above includes their remuneration as directors of HK\$3,530,000.

10. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	87	145
Interest on obligations under finance leases	19	14
Bank charges	—	34
	<u>106</u>	<u>193</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

11. TAXATION

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current year	465	356
(Over) underprovision in prior years	(366)	1,428
	99	1,784
Share of taxation attributable to the associates		
Taxation in other jurisdictions	14	—
	113	1,784

Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profit for the year.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Details of deferred tax are disclosed in note 43 to the financial statements.

12. DIVIDENDS

No dividend has been paid or declared by the Company during the year.

The directors do not recommend the payment of a final dividend.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	2003 HK\$'000	2002 HK\$'000
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	<u>(40,555)</u>	<u>885</u>
	'000	'000
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<u>218,649</u>	197,945
Effect of dilutive potential ordinary shares:		
Options		<u>194</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share		<u>198,139</u>

No diluted loss per share for 2003 has been presented as the exercise of the Company's outstanding share options would result in a decrease in the loss per share.

The weighted average number of ordinary shares for the purposes of basic earnings per share for 2002 has been based on the number of the shares that would be in issue on the assumption that the Corporate Reorganisation had been completed on 1 April 2001.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
Cost					
At 1 April 2002	474	1,141	1,915	548	4,078
Additions	4,947	3,145	2,018	2,229	12,339
Acquired on acquisition of subsidiaries	—	1,236	—	—	1,236
Disposals	—	—	—	(298)	(298)
At 31 March 2003	5,421	5,522	3,933	2,479	17,355
DEPRECIATION					
At 1 April 2002	160	811	1,520	47	2,538
Provided for the year	835	917	511	534	2,797
Acquired on acquisition of subsidiaries	—	456	—	—	456
Eliminated on disposals	—	—	—	(74)	(74)
At 31 March 2003	995	2,184	2,031	507	5,717
NET BOOK VALUES					
At 31 March 2003	4,426	3,338	1,902	1,972	11,638
At 31 March 2002	314	330	395	501	1,540

The net book value of motor vehicles of HK\$1,972,000 (2002: HK\$501,000) as at the balance sheet date included an amount of HK\$559,000 (2002: HK\$204,000) in respect of assets held under finance leases.

**Office
equipment**
HK\$'000

THE COMPANY

COST

Additions and at 31 March 2003 157

DEPRECIATION

Provided for the year and at 31 March 2003 16

NET BOOK VALUES

At 31 March 2003 **141**

At 31 March 2002 —

The Company did not have any property, plant and equipment in the prior year.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

15. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 <i>HK\$'000</i>
Unlisted shares	<u>14,796</u>	<u>14,796</u>

The carrying value of the unlisted shares is based on the fair values of the underlying net assets of the subsidiaries at the time they became members of the Group under the Corporate Reorganisation less any pre-acquisition dividend received.

Particulars of the Company's principal subsidiaries at 31 March 2003 are set out in note 48.

16. GOODWILL

	THE GROUP <i>HK\$'000</i>
COST	
Arising on acquisition of subsidiaries during the year and at 31 March 2003	<u>25,612</u>
AMORTISATION AND IMPAIRMENT	
Charge for the year	1,067
Impairment loss recognised for the year	<u>1,112</u>
At 31 March 2003	<u>2,179</u>
NET BOOK VALUES	
At 31 March 2003	<u><u>23,433</u></u>
At 31 March 2002	<u>—</u>

The amortisation period adopted for goodwill is 18 years.

As at the balance sheet date, an impairment loss of HK\$1,112,000 has been recognised for the goodwill, which is determined with reference to a valuation report by an independent valuer on a fair market value basis as at 31 March 2003.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

17. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	<u>6,357</u>	<u>—</u>

Particulars of the associates are as follows:

Name of associate	Place of incorporation/ operation	Percentage of equity interest held	Principal activities
Goldluck Investment Limited	Hong Kong/ Hong Kong	50%	Mobile phone wholesaling
Bright Rich International Limited	Hong Kong/ Hong Kong	50%	Trading of pharmaceutical products
Sharpway Enterprises Limited	British Virgin Islands/PRC	50%	Trading of pharmaceutical products

18. INTEREST IN A JOINT VENTURE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	<u>16,455</u>	<u>—</u>

As at 31 March 2003, the Company had an interest in the following joint venture:

Name of company	Place of incorporation and operation	Attributable equity interest held by the Group	Principal activities
Dagong Credit Information Service Co., Ltd. 大公信用信息服務有限公司	The PRC	50%	Provision of credit information rating service in the PRC



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

19. INTANGIBLE ASSET

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
COST		
Addition for the year	2,380	—
AMORTISATION AND IMPAIRMENT		
Charge for the year	476	—
Impairment loss recognised for the year	900	—
	1,376	—
At 31 March	1,004	—

The intangible asset represents one trading right in the Stock Exchange. As at 31 March 2003, impairment loss of HK\$900,000 has been recognised for the intangible asset by reference to the market value of that trading right.

20. OTHER ASSETS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
The Stock Exchange		
— Compensation fund deposits	50	—
— Fidelity fund deposits	50	—
— Stamp duty deposits	5	—
Hong Kong Securities Clearing Company Limited		
— Guarantee fund contribution	50	—
— Admission fees	50	—
At 31 March	205	—

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

21. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Other investments		
Equity securities:		
Listed, Hong Kong	7,443	—
Unlisted	15,700	—
At 31 March	<u>23,143</u>	<u>—</u>
Market value of listed securities	<u>7,443</u>	<u>—</u>

22. RETENTION MONEY RECEIVABLE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Retention money receivable	10,300	12,950
Less: Amounts receivable within one year included in current assets	<u>(1,304)</u>	<u>(7,841)</u>
Amounts receivable after one year	<u>8,996</u>	<u>5,109</u>

The amounts represent retention money in respect of the progress payments receivable on the contract work.

23. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Finished goods	<u>5,388</u>	<u>5,481</u>

Included above are finished goods of HK\$894,000 (2002: nil) which were carried at net realisable value as at the balance sheet date.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Contract costs incurred plus recognised profits		
less recognised losses	247,147	408,974
Less: Progress billings	<u>(242,967)</u>	<u>(409,222)</u>
	<u>4,180</u>	<u>(248)</u>
Comprising:		
Amounts due from customers for contract work	4,180	3,294
Amounts due to customers for contract work	<u>—</u>	<u>(3,542)</u>
	<u>4,180</u>	<u>(248)</u>

25. PROGRESS PAYMENTS RECEIVABLE

The aged analysis of progress payments receivable is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 to 30 days	12,773	14,316
31 to 60 days	179	2,397
61 to 90 days	109	909
91 to 180 days	297	1,650
More than 180 days	<u>3,122</u>	<u>3,594</u>
	<u>16,480</u>	<u>22,866</u>

26. LOANS RECEIVABLE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Loans receivable, interest bearing	9,444	—
Margin receivables (Note)	<u>8,748</u>	<u>—</u>
	<u>18,192</u>	<u>—</u>

Note: Margin receivables represent loans to securities margin clients which are secured by clients' pledged securities. These are repayable on demand and bear interest at prevailing market rates. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

27. AMOUNT DUE FROM AN INVESTEE COMPANY

The amount due from an investee is unsecured, interest bearing and has no fixed terms of repayment.

28. ACCOUNTS RECEIVABLE

The credit period allowed by the Group to its customers is normally 90 days.

The aged analysis of accounts receivable is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 to 30 days	2,930	5,600
31 to 60 days	1,203	1,359
61 to 90 days	1,469	2,839
91 to 180 days	427	1,619
More than 180 days	445	2,202
	<u>6,474</u>	<u>13,619</u>

29. INVESTMENT DEPOSITS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Investment deposits for		
Acquisition of interests in a PRC company (Note 1)	12,000	—
Formation of a joint venture (Note 2)	10,000	—
	<u>22,000</u>	<u>—</u>

Notes:

- The amount represents the deposit paid to a PRC company in accordance with a letter of intent dated 5 August 2002 relating to the investment in not more than 24.9% of the enlarged equity interest in the PRC company, which was entered into between the PRC company and a subsidiary of the Company. Upon the payment of the deposit, the subsidiary has the right to carry out a financial due diligence review and assessment of the PRC company for the purpose of determining whether to proceed with the investment within six month from the date of the letter of intent.
- The deposit for formation of a joint venture represents the amount paid in May 2002 under a letter of intent to the PRC party to a joint venture for the formation of a Sino-foreign joint venture in the PRC, in which the Group will own 49%. The joint venture is to be principally engaged in consultancy and advisory services in respect of various construction engineering. Under the joint venture agreement entered into on 19 December 2002, the Group is required to invest RMB4,802,000 (approximately HK\$4,530,000) in the joint venture upon the granting of the business licence of the joint venture. The funds required for the capital injection to the joint venture will be out of the deposit paid. The balance of the deposit together with interest at the rate of 1.75% per annum will be refunded. As at the date of this report, the business licence has not been granted.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

30. RETENTION MONEY PAYABLE

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Retention money payable	3,852	7,813
Less: Amounts payable within one year included in current liabilities	(939)	(3,273)
Amounts payable after one year	<u>2,913</u>	<u>4,540</u>

The amounts represent retention money payable to subcontractors on contract work.

31. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

Included in accounts payable, other payables and accrued charges are trade creditors amounting to HK\$8,002,000 (2002: HK\$10,272,000). The aged analysis of trade creditors is as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
0 to 30 days	3,531	6,337
31 to 60 days	1,556	787
61 to 90 days	1,085	1,796
91 to 180 days	810	1,253
More than 180 days	1,020	99
	<u>8,002</u>	<u>10,272</u>

32. AMOUNTS DUE TO ASSOCIATES

The amounts due to associates are unsecured, interest free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

33. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable under finance leases:				
Within one year	248	78	231	65
More than one year but not exceeding two years	189	78	178	72
More than two years but not exceeding five years	84	20	80	19
	<u>521</u>	<u>176</u>	<u>489</u>	<u>156</u>
Less: Future finance charges	<u>(32)</u>	<u>(20)</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>489</u>	<u>156</u>	<u>489</u>	<u>156</u>
Less: Amounts due for settlement within one year			<u>(231)</u>	<u>(65)</u>
Amounts due for settlement after one year			<u>258</u>	<u>91</u>

34. BORROWINGS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Bank overdraft	1,077	6,079
Bank loans	—	288
	<u>1,077</u>	<u>6,367</u>
Secured	827	—
Unsecured	<u>250</u>	<u>6,367</u>
	<u>1,077</u>	<u>6,367</u>



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

35. SHARE CAPITAL

Shares of HK\$0.10 each

Authorised:

	Number of shares	Amount HK\$'000
Balance as at 1 April 2001	3,500,000	350
Increase of share capital (<i>note</i>)	<u>996,500,000</u>	<u>99,650</u>
Balance as at 31 March 2002 and 31 March 2003	<u><u>1,000,000,000</u></u>	<u><u>100,000</u></u>

Note: Pursuant to the sole shareholder's resolution passed on 3 April 2001, the authorised share capital of the Company was increased from HK\$350,000 to HK\$100,000,000 by the creation of 996,500,000 additional shares of HK\$0.10 each.

Issued and fully paid:

	Number of shares	Amount HK\$'000
Balance as at 1 April 2001	1	—
Shares issued in accordance with Corporate Reorganisation (<i>note 1</i>)	999	—
Capitalisation issue of shares	169,999,000	17,000
New issue (<i>note 2</i>)	<u>30,000,000</u>	<u>3,000</u>
Balance as at 31 March 2002	200,000,000	20,000
Shares issued on 19 June 2002 (<i>note 3</i>)	<u>23,800,000</u>	<u>2,380</u>
Balance as at 31 March 2003	<u><u>223,800,000</u></u>	<u><u>22,380</u></u>

Notes:

- On 3 April 2001, as part of the Corporate Reorganisation, the Company issued and allotted 999 shares of HK\$0.10 each, credited as fully paid, in consideration for the acquisition of the entire issued share capital of Yew Sang Hong (BVI) Limited.
- On 25 April 2001, the Company issued and allotted a total of 30,000,000 new shares of HK\$0.1 each at an offer price of HK\$1 each. The gross proceeds from the new issue of shares was HK\$30,000,000.
- On 19 June 2002, the Company placed a total of 23,800,000 new shares of HK\$0.10 each of the Company at a consideration of HK\$5.13 per share, through Kingston Securities Limited and Sanfull Securities Limited, to independent investors pursuant to the placing and underwriting agreement dated 21 May 2002. The net proceeds of the placing amounted to approximately HK\$118 million, of which up to approximately HK\$50 million was to be retained for the business operation of a new joint venture company to be established in the PRC and the remaining balance of approximately HK\$68 million was to be retained for the future operation of a new securities firm established by the Company in Hong Kong. The new shares issued rank *pari passu* with the then existing shares in issue in all respects.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

35. SHARE CAPITAL (Continued)

The uses of the proceeds from the issues of new shares on new listing and placement are as follows:

In view of the change in market circumstances in the electrical engineering industry after the new listing of the Company's shares in April 2001, the directors has taken a prudent approach that it is not in the interests of the Company to expand electrical engineering and trading businesses by applying the full amount of the net proceeds in accordance with the then intended way of usage as stated in the prospectus of the Company dated 11 April 2001. In February 2003, the directors of the Company resolved to change the unused portion of the net proceeds from the listing of the Stock Exchange of approximately HK\$22.7 million in 2001 will be allocated into two parts (i) approximately HK\$1 million for developing trading business of electrical equipment and materials in the PRC which was fully used up as at 31 March 2003 and (ii) approximately HK\$21.7 million for working capital purpose, in particular, for general overheads of the Group.

During the period from May 2002 to September 2002, when the Group completed the set-up of a newly incorporated securities brokerage subsidiary, the Group acquired a new subsidiary which engaged in the business of internet travel booking services for HK\$18 million. In addition, the Group also invested in a joint venture and an associate which were engaged in provision of credit information rating service and trading of pharmaceutical products for HK\$19 million and HK\$5 million respectively. Since September 2002, a total amount of HK\$21 million was injected as capital into the securities brokerage subsidiary leaving a balance of approximately HK\$5 million for operation of the securities company.

On 19 December 2002, the Group entered into a joint venture agreement with a PRC company to form the joint venture with the registered capital of RMB9.8 million (approximately HK\$9.3 million) against which the Group is obliged to inject approximately RMB4.8 million. As the investment in the joint venture amounted to HK\$4.5 million only, the unused portion of the net proceeds of approximately HK\$45.5 million earmarked for the business operation of the joint venture are retained for funding future investments. During the period to 31 March 2003, the Group has utilized HK\$23.5 million for other investments classified under investments in securities out of the above balance.

36. SHARE OPTIONS

During the year, the Company had a share option scheme (the "2001 share option scheme") which was adopted on 3 April 2001. Pursuant to a shareholders' resolution dated 12 February 2003, the 2001 share option scheme enabling the directors to grant options to employees, including executive directors of the Company and its subsidiaries, to subscribe for shares of the Company was terminated.

A new share option scheme (the "New Option Scheme") was approved and adopted by the shareholders of the Company on 12 February 2003. The New Option Scheme is valid and effective for a period of 10 years after the date of adoption. Outstanding options granted pursuant to the 2001 share option scheme shall continue to be subject to the provisions of the 2001 share option scheme and the adoption of the New Option Scheme will not in any event affect the terms of the grant of such outstanding options.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

36. SHARE OPTIONS (Continued)

Under the terms of the New Option Scheme, the directors of the Company may, at their discretion, grant options to the full-time employees, including executive directors of the Company and its subsidiaries, to subscribe for shares of the Company for recognition of their contribution as incentives or rewards. Options granted must be taken up within 30 days of the date of grant. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for shares of the Company during such periods commencing six months after the date of acceptance of the option, in any event not later than 5 years from the date of grant of the option, as may be determined by the directors of the Company at a price not less than the higher of (i) the nominal value of the share, (ii) the closing price of the shares on the Stock Exchange on the date of grant and (iii) the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. Subject to the shareholders' approval, the maximum number of shares in respect of which options may be granted under the New Option Scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any employee may not exceed 1% of the shares in issue from time to time in a 12-month period. Subject to the entitlements of dividends, bonus, rights declared before the exercise of options, any shares allotted and issued on the exercise of an option will rank pari passu with the other shares in issue at the date of exercise of the relevant option.

At 31 March 2003, the number of shares in respect of which options had been granted and remaining outstanding under share option schemes of the Company was 8,500,000 (2002: 4,500,000), representing 3.8% (2002: 2.3%) of the shares of the Company in issue at that date.

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

For the year ended 31 March 2003

Option type	Outstanding at 1 April 2002	Granted during the year	Lapsed during the year	Outstanding at 31 March 2003
2002A	4,000,000	—	(2,000,000)	2,000,000
2002B	500,000	—	(500,000)	—
2003A	—	500,000	—	500,000
2003B	—	2,000,000	—	2,000,000
2003C	—	2,000,000	—	2,000,000
2003D	—	2,000,000	—	2,000,000
Total	4,500,000	6,500,000	(2,500,000)	8,500,000

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

36. SHARE OPTIONS (Continued)

For the year ended 31 March 2002

Option type	Granted during the year	Outstanding at 31 March 2002
2002A	4,000,000	4,000,000
2002B	500,000	500,000
Total	<u>4,500,000</u>	<u>4,500,000</u>

For the year ended 31 March 2003

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

Option type	Outstanding at 1 April 2002	Granted during the year	Outstanding at 31 March 2003
2002A	2,000,000	—	2,000,000
2003B	—	2,000,000	2,000,000
2003D	—	2,000,000	2,000,000
Total	<u>2,000,000</u>	<u>4,000,000</u>	<u>6,000,000</u>

For the year ended 31 March 2002

Option type	Granted during the year	Outstanding at 31 March 2002
2002A	<u>2,000,000</u>	<u>2,000,000</u>



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

36. SHARE OPTIONS (Continued)

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Closing price immediately before/on the dates of grant HK\$	Exercise price HK\$
2002A(1)	1 February 2002	8 August 2002 to 7 August 2007	1.520	1.4944
2002A(2)	1 February 2002	1 September 2002 to 31 August 2007	1.520	1.4944
2002B	1 March 2002	2 September 2002 to 1 September 2007	2.825	2.8750
2003A	2 April 2002	3 October 2002 to 2 October 2007	3.000	3.0550
2003B	8 April 2002	9 October 2002 to 8 October 2007	3.300	3.3000
2003C	3 May 2002	3 November 2002 to 2 November 2007	4.530	4.6200
2003D	14 May 2002	14 November 2002 to 13 November 2007	4.950	4.9600

Note: No charge is recognised in the income statement in respect of the value of options granted.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

37. RESERVES

THE GROUP

	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2001	—	—	1,848	—	65,285	67,133
Share premium arising from issue of shares	27,000	—	—	—	—	27,000
Share issue expenses	(5,758)	—	—	—	—	(5,758)
Capitalisation issue of shares	(17,000)	—	—	—	—	(17,000)
Net profit for the year	—	—	—	—	885	885
Arising from Corporate Reorganisation	—	13,524	—	—	—	13,524
At 31 March 2002	4,242	13,524	1,848	—	66,170	85,784
Share premium arising from issue of shares	119,714	—	—	—	—	119,714
Share issue expenses	(4,595)	—	—	—	—	(4,595)
Exchange difference arising on translation of financial statements of operation outside Hong Kong	—	—	—	(37)	—	(37)
Indemnity from former controlling shareholders (Note)	—	—	—	—	631	631
Net loss for the year	—	—	—	—	(40,555)	(40,555)
At 31 March 2003	<u>119,361</u>	<u>13,524</u>	<u>1,848</u>	<u>(37)</u>	<u>26,246</u>	<u>160,942</u>

The accumulated profits of the Group included accumulated losses of HK\$3,288,000 (2002: nil) attributable to associates and the joint venture of the Group.

Note: The amount represents the indemnity from the former controlling shareholders to the Group for any underprovision of profits tax in the companies comprising the Group for the periods before the listing of shares of the Company on the Stock Exchange.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

37. RESERVES (Continued)

THE COMPANY

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2001	—	—	(122)	(122)
Net loss for the year	—	—	(467)	(467)
Share premium arising from issue of shares	27,000	—	—	27,000
Share issue expenses	(5,758)	—	—	(5,758)
Capitalisation issue of shares Pursuant to Corporate Reorganisation in April 2001	(17,000)	—	—	(17,000)
	<u>—</u>	<u>80,657</u>	<u>—</u>	<u>80,657</u>
At 31 March 2002	4,242	80,657	(589)	84,310
Net loss for the year	—	—	(41,014)	(41,014)
Share premium arising from issue of shares	119,714	—	—	119,714
Share issue expenses	(4,595)	—	—	(4,595)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 March 2003	<u>119,361</u>	<u>80,657</u>	<u>(41,603)</u>	<u>158,415</u>

The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition under the Corporate Reorganisation.

The capital reserve represents the contributions made by the then controlling shareholder under the Corporate Reorganisation.

The contributed surplus of the Company represents the difference between the fair values of the underlying net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued under the Corporate Reorganisation.

The Company's reserves available for distribution to shareholders as at 31 March 2003 represent the net balance of the share premium, contributed surplus and accumulated losses of HK\$158,415,000 (2002: HK\$84,310,000).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

38. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value of HK\$477,000 (2002: HK\$200,000) at the inception of the finance leases.

39. CONTINGENT LIABILITIES

As at the balance sheet date, the Group had no material contingent liabilities for both years.

The Company has executed guarantees in favour of the landlords of certain properties leased by a subsidiary for due performance of obligations under the tenancy agreements. As at the balance sheet date, the aggregate outstanding leasing commitments of the subsidiary amounted to approximately HK\$8,352,000 (2002: nil).

40. CAPITAL COMMITMENTS

As at the balance sheet date, there were no material capital commitments of the Group and the Company for both years.

41. OPERATING LEASE COMMITMENTS

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
Land and buildings:		
Operating lease which expire:		
— within one year	5,643	555
— in the second to fifth year inclusive	3,103	24
	8,746	579
Others:		
Operating leases which expire within one year	500	—

Operating lease payments for land and buildings represent rentals payable by the Group for its office premises and employees' quarters. Leases are negotiated for an average term of two years.

The Company had no operating lease commitments at the balance sheet date.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

42. PURCHASE OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Net assets acquired:		
Property, plant and equipment	780	—
Investments in securities	2,500	—
Accounts receivable	3	—
Prepayments, deposits and other assets	264	—
Bank balances and cash	86	—
Accounts payable, other payables and accrued charges	<u>(8,745)</u>	<u>—</u>
Net liabilities acquired	(5,112)	—
Goodwill arising on acquisition	<u>25,612</u>	<u>—</u>
Cash consideration	<u>20,500</u>	<u>—</u>
Net cash outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:		
Cash consideration	20,500	—
Bank balances and cash acquired	<u>(86)</u>	<u>—</u>
	<u>20,414</u>	<u>—</u>

The subsidiaries acquired during the year contributed HK\$196,000 to the Group's turnover and a loss of HK\$5,453,000 to the Group for the year.

43. UNPROVIDED DEFERRED TAXATION

The Group had no significant unprovided deferred taxation during the year and at the balance sheet date except for an unrecognised deferred taxation asset of HK\$3.1 million (2002: nil) arising from tax losses which are available to set off against future assessable profits. The deferred taxation asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

The Company had an unprovided deferred taxation asset of HK\$0.5 million (2002: nil) arising from tax losses which are available to set off against future assessable profits.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

44. PLEDGE OF ASSETS

At 31 March 2003, the Group had pledged bank deposits of approximately HK\$11 million to secure certain bank facilities available to the Group.

At 31 March 2002, the Group and the Company had not pledged any assets.

45. RETIREMENT BENEFITS SCHEMES

Before December 2000, the Group had retirement schemes covering a substantial portion of its employees. The principal schemes were defined contribution schemes. The assets of these schemes were transferred to the Mandatory Provident Fund Scheme as hereafter referred for the benefits of the then existing eligible employees of the Group.

With effect from 1 December 2000, the Group joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all its employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes 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 rules of the MPF Scheme, the employer and its employees are required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the MPF Scheme.

The group companies operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. These group companies are required to make specific contributions to the retirement schemes at a rate of 19% (2002: 20%) of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond of the annual contributions made.

The amounts charged to the income statement represented contributions payable to the MPF Scheme by the Group at rates specified in the rules of the MPF Scheme. No forfeiture of contributions arising from employees leaving the Group prior to completion of the qualifying service period was charged to the income statement for the year.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the retirement benefit schemes and which are available to reduce the Group's contributions payable in future years was HK\$66,000 (2002: HK\$19,000).



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

46. RELATED PARTY TRANSACTIONS

During the year, the following related party transactions took place:

	2003 HK\$'000	2002 HK\$'000
A Company in which a director of the Company is a director and has beneficial interests		
Operating lease rental of premises paid	827	906
Building management fees paid	107	—
A Company in which a director of the Company is also a director		
Sales of goods to	42	—
Purchases of goods from	<u>3,242</u>	<u>—</u>

The charges for lease payments, building management fees, sales of goods and purchases of goods were determined in accordance with the terms of the relevant agreements.

47. SUBSEQUENT EVENT

On 5 May 2003, the Group has served a written notice to the PRC company as disclosed in note 29 above to suspend the proposed investment in not more than 24.9% of the enlarged equity interest of the PRC company and requested the repayment of the deposit of HK\$12,000,000 together with interest calculated at an interest rate of 1.5% per annum. As at the date of this report, the deposit paid together with interest thereon was fully recovered.

48. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2003, all of which are wholly owned by the Company, unless otherwise stated, are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital		Principal activities
		Ordinary/ registered	Deferred	
Brongham Park Limited	Hong Kong	HK\$20	HK\$1,000,000 (Note 4)	Trading in diesel generating sets
China Legend International Limited	Hong Kong	US\$1	—	Investment holding
Cyber Touch Limited	British Virgin Islands	US\$125	—	Investment holding
Ever Ace Investment Limited	Hong Kong	HK\$2	—	Administrative centre and investment holding

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital		Principal activities
		Ordinary/ registered	Deferred	
Expo Resources Inc.	British Virgin Islands	US\$1	—	Investment in securities
General Win International Limited	Hong Kong	HK\$2	—	Administrative centre
Hong Tong Hai Consultants Limited	Hong Kong	HK\$2	—	Investment holding
Hong Tong Hai Securities Limited	Hong Kong	HK\$21,000,000	—	Securities brokerage
Jetcom Limited	British Virgin Islands	US\$1	—	Investment holding
Jetasia Enterprises Limited	British Virgin Islands	US\$1	—	Investment holding
Jetgain Limited	British Virgin Islands	US\$1	—	Investment holding
Sinogear Enterprises Limited	British Virgin Islands	US\$1	—	Investment holding
TopStar Enterprises (Holdings) Limited	British Virgin Islands	US\$1	—	Investment holding
Transwell Investments Limited	British Virgin Islands	US\$1	—	Investment holding
Tribest Investments Limited	British Virgin Islands	US\$1	—	Investment holding
Yew Sang Hong (China) Limited	British Virgin Islands	US\$1	—	Investment holding
Yew Sang Hong (BVI) Limited	British Virgin Islands	US\$1	—	Investment holding
Yew Sang Hong Trading (China) Limited	Hong Kong	HK\$2	—	Trading in electrical equipment and materials



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2003

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital		Principal activities
		Ordinary/ registered	Deferred	
Yew Sang Hong Building Services (Maintenance) Engineering Limited	Hong Kong	HK\$2	—	Building maintenance
Yew Sang Hong Investment Services Limited	British Virgin Islands	US\$1	—	Investment holding
Yew Sang Hong Limited	Hong Kong	HK\$20	HK\$12,524,000 (Note 4)	Electrical engineering contracting
Yew Sang Hong Trading Limited	Hong Kong	HK\$2	HK\$2 (Note 4)	Trading in electrical equipment and materials
北京易行商盟在線網絡技術有限公司 (Note 3)	PRC	US\$300,000	—	Provision of internet travel booking services

Notes:

- Other than Yew Sang Hong (BVI) Limited, Yew Sang Hong (China) Limited and Yew Sang Hong Investment Services Limited, which are directly held by the Company, all other companies are indirectly held by the Company.
- Other than those subsidiaries incorporated in the British Virgin Islands, whose place of operations are basically in Hong Kong, the places of all other subsidiaries are the same as their places of incorporation.
- This subsidiary is 60% held by the Group and is a foreign investment enterprise established in the PRC.
- The deferred shares are shares whose shareholders are neither entitled to receive notices, attend, vote at any general meetings nor to receive any dividend out of operating profit and have very limited rights on return of capital of the subsidiaries. The deferred shares are held by the former directors of the Company, Mr. Lai Sai Sang and Ms. Leung Sau Che, Jennifer, who have granted options to the Group to acquire these deferred shares at nominal value.
- None of the subsidiaries had issued any debt securities at the end of the year.
- The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particular excessive length.

49. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 37 to 80 were approved and authorised for issue by board of directors on 18 July 2003.