



Notes to the Accounts *(continued)*

For the year ended 31st March 2003

12 Interest in an associated company

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Share of net assets other than goodwill	–	–	–	–
Amount due from an associated company <i>(Note (b))</i>	4,483,648	4,481,148	28,850	28,850
Provision for doubtful debts	(4,483,648)	(4,481,148)	(28,850)	(28,850)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

(a) The following is the details of the associated company at 31st March 2003:

Name	Place of incorporation	Interest held		Principal activities and place of operation
		2003	2002	
<i>Held indirectly:</i>				
Goldpoint Investment Limited	The British Virgin Islands	50%	50%	Investment holding in Hong Kong

The associated company is not audited by PricewaterhouseCoopers.

(b) The amounts due from an associated company are unsecured, interest free and has no fixed terms of repayment.

13 Investment in convertible note

	Group	
	2003 HK\$	2002 HK\$
Unlisted investment, at cost	78,000,000	78,000,000
Less: provision	(78,000,000)	(78,000,000)
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

This represents a convertible note (“Note”) of Opal Technologies Inc. (“Opal”) for a principal amount of US\$10 million. Opal is engaged in the manufacturing, trading and distribution of organic fertilisers and its shares were traded on the NASDAQ Bulletin Board in the United States of America. The Note is unsecured, interest bearing at 4% per annum payable quarterly in arrears.

Pursuant to the agreement, the Note is convertible, in whole or in part, into fully paid shares of common stock of Opal (par value US\$0.001) at US\$0.20 per share (subject to adjustment) after 10th October 2000. The Group did not exercise the right to convert the Note into shares of Opal. The Note was matured on 9th April 2003.



Notes to the Accounts *(continued)*

For the year ended 31st March 2003

13 Investment in convertible note *(continued)*

Trading of shares of Opal on NASDAQ Bulletin Board has been suspended since 23rd May 2001 due to its failure to file audited accounts for the year ended 31st December 2000 and subsequent financial years with the Securities and Exchange Commission of the United States of America. The directors have made an assessment of the recoverability of the Note and full provision on the Note has been made in 2001.

Legal action has been taken by the Group against Opal last year. The court adjudged that Opal had to pay the Group a sum of US\$10,300,000 representing the principal of and interest accrued on the Note up to 7th January 2002. Opal has made no payment up to the date of approval of these accounts.

14 Inventories

At 31st March 2003, the carrying amount of inventories that are carried at net realisable value amounted to HK\$184,737 (2002: HK\$233,844).

15 Accounts receivable, deposits and prepayments

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Trade receivables	468,903	744,897	–	–
Deposits, prepayments and other receivable	1,299,692	1,424,027	64,209	31,809
	<u>1,768,595</u>	<u>2,168,924</u>	<u>64,209</u>	<u>31,809</u>

The Group's general credit terms granted to customers range from 30 to 60 days.

At 31st March 2003, the ageing analysis of the trade receivables was as follows:

	Group	
	2003	2002
	HK\$	HK\$
Within 30 days	458,728	502,987
31 to 60 days	10,175	241,910
	<u>468,903</u>	<u>744,897</u>



Notes to the Accounts *(continued)*

For the year ended 31st March 2003

16 Accounts payable and accrued charges

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Trade payables	1,832,524	2,080,713	–	–
Other payable and accruals	1,925,486	4,398,613	491,217	543,374
Deposits received	1,554,000	1,554,000	–	954,000
	<u>5,312,010</u>	<u>8,033,326</u>	<u>491,217</u>	<u>1,497,374</u>

At 31st March 2003, the ageing analysis of the trade payables was as follows:

	Group	
	2003	2002
	HK\$	HK\$
Within 30 days	1,207,810	1,440,992
31 to 60 days	487,023	513,029
Over 90 days	137,691	126,692
	<u>1,832,524</u>	<u>2,080,713</u>

17 Share capital

	Ordinary shares of HK\$0.05 each	
	No. of shares	HK\$
Authorised:		
At 1st April 2002 and 31st March 2003	<u>2,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
At 1st April 2001	1,094,000,000	54,700,000
Issue of shares	1,884,000	94,200
At 31st March 2002 and 2003	<u>1,095,884,000</u>	<u>54,794,200</u>

On 5th December 2001, 1,884,000 ordinary shares of HK\$0.05 each were issued at a price of HK\$0.26 per share upon exercise of share options. These shares rank *pari passu* with the existing shares.

Pursuant to the Company's previous share option scheme (the "Old Scheme"), which became effective on 2nd January 1991, the directors of the Company might at their discretion grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

The Old Scheme expired on 1st January 2001. The options of the Old Scheme outstanding are exercisable subject to the terms of the Old Scheme.



Notes to the Accounts *(continued)*

For the year ended 31st March 2003

17 Share capital *(continued)*

At 31st March 2003, particulars of outstanding share options granted under the Old Scheme are as follows:

Date of grant	Exercise price HK\$	Balance outstanding as at 1st April 2002 and 31st March 2003	Exercisable period
26th April 2000	0.58	24,500,000	1st August 2000 to 31st July 2005
29th December 2000	0.26	13,956,000	29th December 2000 to 31st July 2005
		<u>38,456,000</u>	

No share option in the Company were granted, exercised or lapsed during the year.

On 30th August 2002, the Company has adopted a new share option scheme (the “New Scheme”), pursuant to which the Company may grant options without initial payment to (i) any director, employee or consultant of the Group or a company in which the Group holds an equity interest or a subsidiary of such company (“Affiliate”); or (ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee or consultant of the Group or an Affiliate; or (iv) any customer, supplier or adviser whose service to the Group or business with the Group contributes or is expected to contribute to the business or operation of the Group as may be determined by the directors from time to time to subscribe for shares of the Company. The subscription price of the shares under the New Scheme will be the highest of (i) the nominal value of the shares; (ii) the closing price per share as stated in daily quotation sheets of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the date of grant; and (iii) the average closing price per share as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant and such price may be adjusted from time to time pursuant to the New Scheme. No share options under the New Scheme were granted since adoption.



Notes to the Accounts *(continued)*

For the year ended 31st March 2003

18 Reserves

	Group						
	Share premium <i>HK\$</i>	Contribution surplus <i>HK\$</i>	Investment properties revaluation reserve <i>HK\$</i>	Other properties revaluation reserve <i>HK\$</i>	Exchange reserve <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
At 1st April 2001	292,970,216	28,784,000	33,071,737	68,787,243	529,522	(320,290,368)	103,852,350
Premium on issue of shares	395,640	–	–	–	–	–	395,640
Reclassification	–	–	9,271,436	(9,271,436)	–	–	–
Deficit on revaluation	–	–	(14,000,000)	(2,350,000)	–	–	(16,350,000)
Deficit realised upon disposal	–	–	186,880	–	–	–	186,880
Loss for the year	–	–	–	–	–	(3,198,029)	(3,198,029)
At 31st March 2002	293,365,856	28,784,000	28,530,053	57,165,807	529,522	(323,488,397)	84,886,841
Surplus on revaluation	–	–	–	1,452,650	–	–	1,452,650
Reserve realised upon dissolution of subsidiaries	–	–	–	–	(529,522)	–	(529,522)
Profit for the year	–	–	–	–	–	4,780,892	4,780,892
At 31st March 2003	<u>293,365,856</u>	<u>28,784,000</u>	<u>28,530,053</u>	<u>58,618,457</u>	<u>–</u>	<u>(318,707,505)</u>	<u>90,590,861</u>

	Company						
	Share premium <i>HK\$</i>	Contribution surplus <i>HK\$</i>	Investment properties revaluation reserve <i>HK\$</i>	Other properties revaluation reserve <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>	
At 1st April 2001	292,970,216	28,784,000	–	9,271,436	(238,122,680)	92,902,972	
Premium on issue of shares	395,640	–	–	–	–	395,640	
Reclassification	–	–	9,271,436	(9,271,436)	–	–	
Deficit on revaluation	–	–	(1,000,000)	–	–	(1,000,000)	
Loss for the year	–	–	–	–	(15,310,641)	(15,310,641)	
At 31st March 2002	293,365,856	28,784,000	8,271,436	–	(253,433,321)	76,987,971	
Reserve realised upon disposal	–	–	(8,271,436)	–	–	(8,271,436)	
Profit for the year	–	–	–	–	7,394,738	7,394,738	
At 31st March 2003	<u>293,365,856</u>	<u>28,784,000</u>	<u>–</u>	<u>–</u>	<u>(246,038,583)</u>	<u>76,111,273</u>	

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date of which they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition of the subsidiaries at the time of the group reorganisation prior to the listing of the Company's shares in 1991. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders provided that the Company is able to meet its obligations after the distribution and the realisable value of the Company's assets would not be less than the aggregate of its liabilities, issued share capital and share premium accounts.



Notes to the Accounts *(continued)*

For the year ended 31st March 2003

19 Provision for long service payments

	Group	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
At the beginning of year	5,724,501	6,153,194
Provision /(write back of provision)	50,000	(206,830)
Less: Amounts utilised	(35,826)	(221,863)
	<u>5,738,675</u>	<u>5,724,501</u>

The provision for long service payments relates to the Group's net obligation to the long service payments payable to employees in accordance with the Hong Kong Employment Ordinance. The provision is reduced by the amount of employees' vested benefits that is attributable to the Group's contributions to the MPF.

20 Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit/(loss) to net cash inflow generated from operation

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Operating profit/(loss)	4,780,892	(1,710,448)
Interest income	(29,022)	(163,094)
Deficit on revaluation of other properties	75,850	173,600
Gain on dissolution of subsidiaries	(529,522)	–
Loss on disposal/write off of investment properties and other fixed assets	2,019,902	808,129
Depreciation	2,221,299	1,872,223
	<u>8,539,399</u>	<u>980,410</u>
Operating profit before working capital changes	8,539,399	980,410
Decrease in inventories	140,717	1,581,502
Decrease in accounts receivable, deposits and prepayments	400,329	2,887,362
Decrease in accounts payable and accrued charges	(2,721,316)	(230,410)
Increase/(decrease) in provision for long service payments	14,174	(428,693)
	<u>6,373,303</u>	<u>4,790,171</u>

(b) Analysis of changes in financing during the year

	Share capital including premium		Bank loans	
	2003	2002	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At the beginning of year	348,160,056	347,670,216	–	17,722,500
Issue of shares upon exercise of options	–	489,840	–	–
Cash outflow from financing	–	–	–	(17,722,500)
	<u>348,160,056</u>	<u>348,160,056</u>	<u>–</u>	<u>–</u>



Notes to the Accounts *(continued)*

For the year ended 31st March 2003

21 Commitments

(a) Commitments under operating leases

At 31st March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2003 HK\$	2002 HK\$
Not later than one year	456,000	140,000
Later than one year and not later than five years	124,000	280,000
	<u>580,000</u>	<u>420,000</u>

The Company did not have any commitments under operating leases at 31st March 2003 (2002 : Nil).

(b) Operating lease rental receivables

At 31st March 2003, the Group's future aggregate minimum rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Not later than one year	4,292,000	4,455,000	–	3,255,000
Later than one year and not later than five years	14,258,000	16,256,000	–	14,256,000
Later than five years	–	1,242,000	–	1,242,000
	<u>18,550,000</u>	<u>21,953,000</u>	<u>–</u>	<u>18,753,000</u>

22 Related party transactions

Significant related party transactions, which were carried out in normal course of the Group's business, are as follows:

	Group	
	2003 HK\$	2002 HK\$
Management fees from related companies (Note (a))	1,061,519	–
Rental income from a related company (Note (b))	<u>249,893</u>	<u>–</u>

(a) Management fees were charged at 1.5% on revenue of these related companies.



Notes to the Accounts *(continued)*

For the year ended 31st March 2003

22 Related party transactions *(continued)*

- (b) Rental income was received for the subletting of the office premise which was based on a tenancy agreement on normal commercial terms.
- (c) A director of the Company holds directorship and has beneficial interests in these related companies.

23 Ultimate holding company

The directors regard World Possession Assets Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

24 Approval of accounts

The accounts were approved by the board of directors on 15th July 2003.