

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. BASIS OF PREPARATION

(a) Background and principal activities

The Company is an investment holding company. The Group is principally engaged in cold storage warehousing and logistics management, and property investment.

In view of the severe financial difficulties of the Group, Provisional Liquidators were appointed to the Company by the High Court of the Hong Kong SAR (“Court”) on 31 December 2001 to implement the restructuring for the Company. Provisional Liquidators were also appointed to the Company’s four major wholly-owned subsidiaries, namely South East Asia Overseas Finance Limited (“SEAOF”), Yiu Fung Cold Storage & Warehousing Limited (“YFCSW”), Yiu Fai Warehousing Limited (“YFWL”) and Seapower Resources Cold Storage & Warehousing Limited (“SRCSW”) on 31 December 2001. Subsequently the Court ordered that SEAOF be wound-up on 20 February 2002, and YFCSW, YFWL and SRCSW be wound up on 27 March 2002. The Provisional Liquidators of the Company disposed of the Group’s logistics assets in Hong Kong prior to 31 March 2002.

In the last year, in order to reduce the liabilities of the Group, the Group had disposed of most of its properties including all those leasehold properties previously used for the Group’s cold storage operations in Hong Kong, and all its investment properties except for the 24 townhouses located in Beijing for which the Group would be unlikely to obtain the legal title based on a legal opinion obtained. The Group had also closed its cold storage warehousing and logistics operation in Hong Kong in the last year. As a result of these restructuring exercise, the Group recorded losses of approximately HK\$537.8 million and approximately HK\$90.7 million arising on the disposal of the leasehold properties and investment properties, respectively, and a loss of approximately HK\$648.3 million arising from the winding up of the above four subsidiaries for the year ended 31 March 2002.

The Group disposed of its property located at Lidcombe, Sydney in May 2002 and immediately leased back the property for one year in order to continue its cold storage warehousing and logistics operations. Accordingly, the Group has fully recognised the gain on disposal of this property of approximately HK\$9.3 million in the consolidated income statement for the year ended 31 March 2003.

At the date of this report, the Group consolidated its cold storage warehousing and logistics operation located at Lidcombe with West Gosford, New South Wales of Australia.

As disclosed in note 32(b), a creditor bank has been granted an enforcement order by the court of Shenzhen, PRC enabling it to take possession of one of the Group’s properties in Shenzhen, PRC.

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(b) Going Concern Basis

In preparing the financial statements, the Provisional Liquidators of the Company have given careful consideration to the future liquidity of the Group in light of the Group's current financial difficulties including its net liabilities of approximately HK\$1,304 million as at 31 March 2003 and the background set out in (a) above.

As set out in note 32(a) to the financial statements, a conditional restructuring agreement in relation to the restructuring proposal for the Company was entered into with an independent third party investor, Many Returns Limited ("MRL"), ("Restructuring Proposal") on 14 May 2003 ("Restructuring Agreement"). On 11 August 2003, the Restructuring Agreement was amended by a supplemental agreement, and on the same date, the Provisional Liquidators on behalf of the Company entered into with MRL a subscription agreement in relation to the subscription of new shares by MRL upon completion of the Restructuring Proposal. The Restructuring Proposal includes, inter alia, a capital restructuring, debt restructuring involving Schemes of Arrangement ("Schemes") and a subscription of new shares and warrants.

Completion of the Restructuring Agreement will require the fulfillment of certain conditions including the relevant approvals from the regulatory authorities, such as The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Securities and Futures Commission.

MRL has agreed to provide and procure working capital for the Company such that the Group will have sufficient working capital for its operations for 12 months after the completion of the Restructuring Agreement. MRL has also agreed to undertake to the Company that the Company will not dispose of any of the Group assets after completion if such disposal will result in the Company breaching paragraph 38 of its listing agreement with the Stock Exchange.

In light of the above, the Provisional Liquidators of the Company have prepared the financial statements on a going concern basis on the basis that the Restructuring Agreement will be implemented in full on completion and the Group will have sufficient working capital to carry on its business.

(c) Group Financial Statements

The Group financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or negative goodwill (capital reserve) which was not previously charged or recognised in the consolidated income statement.

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3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants (“HKSA”) and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements are prepared under the historical cost convention except that, as disclosed in the policies below and as modified by the revaluation of investment properties, properties held for development, other land and buildings, interests in subsidiaries and certain investments in securities. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The Group has also early adopted the following SSAPs, which are effective for periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

(a) Revenue Recognition

- (i) Cold storage service income is recognised pro-rata over the life of the agreement and on an accrual basis.
- (ii) Logistics service income is recognised on the services rendered.
- (iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (iii) Dividend income is recognised when the shareholders’ rights to receive payment is established.
- (iv) Operating lease rental income is recognised on a straight-line basis over the period of the respective leases.
- (v) Gains and losses on investments from securities trading, on the trade date basis, is calculated on the average cost basis.

(b) Goodwill

Goodwill arising on acquisition of subsidiaries, associates and jointly controlled entities represents the excess of the cost of the acquisition over the fair value of the Group’s share of the identifiable assets and liabilities acquired as at the date of acquisition. Negative goodwill arising from the acquisition of subsidiaries, associates and jointly controlled entities, being the capital reserve, represents the excess of the fair value ascribed to the Group’s share of the identifiable assets and liabilities at the date of acquisition of a subsidiary, over the cost of acquisition.

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Goodwill arising on acquisition is recognised as an asset and is amortised using the straight-line method over its estimated useful economic life of not exceeding twenty years. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated income statement when the future losses and expenses are recognised. To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In case of associates and jointly controlled entities, any unamortised goodwill/negative goodwill (not yet recognised in the consolidated income statement) is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries, associates or jointly controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill/negative goodwill which remains unamortised/has not been recognised in the consolidated income statement and any relevant capital reserve, as appropriate. Any attributable goodwill/negative goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

(c) Property, Plant and Equipment

Properties held for development, which are those properties being developed for production, rental or administrative purposes or for purposes not yet determined, are stated at valuation less provision for permanent diminution in value, if necessary. Cost comprises acquisition cost and other incidental costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are put into use.

Property, plant and equipment, other than investment properties and properties held for development, are stated at cost or valuation less depreciation (or amortisation) and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul cost, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

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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 consolidated income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of the assets, expected future cash flows are not discounted to their present values.

Cold storage warehouses and other land and buildings are stated at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation. Revaluation is performed with sufficient regularity such that the carrying value does not differ materially from that which would be determined using the fair values at the balance sheet date.

Any surplus arising on revaluation of the property, plant and equipment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case this surplus is credited to the consolidated income statement to the extent of the deficit previously charged. A decrease in the net carrying amount arising on the revaluation of such properties is charged to the consolidated income statement to the extent that it exceeds the surplus, if any, held in the asset revaluation reserve relating to the previous revaluation of that particular asset. On the subsequent disposal of the asset, the attributable revaluation surplus not yet transferred to deficit in prior years is transferred to deficit.

Amortisation is provided to write off the valuation of leasehold land over the terms of the respective leases using the straight line method. Freehold land is not amortised.

The valuation of buildings is depreciated over their estimated useful lives of fifty years or, where shorter, the terms of the respective leases using the straight line method.

Depreciation and amortisation are provided to write off the costs of other assets over their estimated useful lives, using the straight line method, at the following rates per annum:

Furniture, machinery and equipment	10% to 33%
Motor vehicles	20%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group or, where shorter, the terms of the respective leases.

(d) Investment Properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential with rental income being negotiated at arm's length.

Investment properties are stated in the balance sheet at their open market value on the basis of period end valuation carried out annually by persons holding a recognised professional qualification in valuing properties and having recent post-qualification experience in valuing properties in the location and in the category of the properties concerned. Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining periods of the leases.

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Changes in the value of investment properties is treated as movements in an investment property revaluation reserve, unless the total of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the amount by which the deficit exceeds the total amount in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged. Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment property revaluation reserve to the income statement.

(e) Assets Under Leases

(i) Finance leases

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the income statement over the periods of the leases so as to produce an approximately constant periodic rate of charge on the remaining balances of the obligation for each accounting period.

Assets held under finance leases are depreciated over the shorter of the lease terms and their estimated useful lives on the same basis as owned assets. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(f).

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental receivables/payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

(f) Impairment of Assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that those assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. For goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an

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asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(g) **Subsidiaries**

A subsidiary is a company in which the Group or the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Group or the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(h) **Associates**

An associate is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated income statement includes the Group's share of the results of associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of the dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

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(i) Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated income statement includes the Group's share of the results of the jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net asset jointly controlled entities and goodwill/negative goodwill (net of accumulative amortisation) on acquisition.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(j) Investments in Securities

Security is a bond or share or other negotiable instrument evidencing debts or ownership which is distinguished between equity and debt securities, is classified as held-to-maturity securities, trade and non-trade securities.

Debt securities intended to be held-to-maturity are stated at amortised cost, less provision for impairment losses. Investments in other than held-to-maturity securities are accounted for using the alternative treatment and are stated at fair values. Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For securities not held for trading purposes, unrealised gains and losses are dealt with in investment revaluation reserve, until the securities are disposed of or are determined to be impaired, at which time the cumulative gains or losses are included in net profit or loss for the year.

Gain or loss on disposal of investments in securities, representing the difference between the net sale proceeds and the carrying amount of the securities, together with any surplus/deficit transferred from the investment revaluation reserve, is recognised in the income statement in the period in which the disposal occurs.

All other securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise. Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin.

(k) Related Parties

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

(l) Cash Equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

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For the purposes of the cash flow statement, cash equivalents exclude bank overdrafts and advances from banks originally repayable within three months from the date of the advance, due to the Group's defaults in the repayment.

(m) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Deferred Taxation

Deferred taxation is accounted for under the liability method in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or asset is expected with reasonable probability to crystallise in the foreseeable future. Deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

(o) Translation of Foreign Currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior years, the profit and loss of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior years has not been restated as the effect of this change is not material to the current and prior years.

(p) Retirement Costs

The Group operates a defined contribution Mandatory Provident Fund Exempted ORSO retirement benefits scheme ("ORSO Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the ORSO Scheme. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the ORSO Scheme. The assets of the ORSO Scheme are held separately from those of the Group in an independently administered fund. When an employee leaves the ORSO Scheme prior to his/her interests in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

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(q) Employee Benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(r) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

(s) Borrowing Costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the assets are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset to its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset to its intended use or sale are interrupted or complete.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

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4. TURNOVER AND OTHER REVENUE

The Company is an investment holding company. The principal activities of the Group are the provision of cold storage warehousing and logistics management services and property investment.

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover:		
Income from cold storage warehousing and logistics (noted below)	16,881	159,158
Rental income	—	6,114
	<u>16,881</u>	<u>165,272</u>
Other revenue:		
Interest income	411	1,257
	<u>17,292</u>	<u>166,529</u>

As set out in note 2(a) above, the cold storage warehousing and logistics management services in Hong Kong had been closed down right before the year ended 31 March 2002 and as such, the service income decreased significantly for the current year.

5. OTHER INCOME

Other income comprises:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contributions to overheads from a former investor	1,260	—
Refund received from terminated provident fund	1,465	—
Deposits from a former investor forfeited	2,001	—
Dividend income	—	599
Exchange gain	1,554	946
Overprovision for long service payments written back	—	1,461
Net realised gain on other investments	—	21
Storage income	—	3,762
Others	1,072	3,613
	<u>7,352</u>	<u>10,402</u>

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6. LOSS FROM OPERATIONS

Loss from operations is stated after crediting and charging:

	2003 HK\$'000	2002 HK\$'000
Crediting:		
Gross rental income from properties	—	6,114
Provision for bad and doubtful debts written back	1	918
Charging:		
Loss on disposal of club membership	1,340	—
Provision for bad and doubtful debts	3,046	2,486
Provisional Liquidators' remuneration	6,425	4,872
Auditors' remuneration		
— Current year (note 1)	—	814
— Underprovision in previous years	3	171
Depreciation		
— Owned fixed assets	2,032	32,404
— Assets held under finance leases	—	364
Staff costs including retirement costs of HK\$76,000 (2002: HK\$2,867,000)	5,598	70,322
Rental expenses under operating leases (note 2)	—	912
Provision for a claim	—	24,804
Unrealised loss on other investments	—	263
Loss on disposal of fixed assets (other than properties)	516	598
	<u>516</u>	<u>598</u>

Note 1: The auditors' remuneration amounted to HK\$150,000 for the year (2002: HK\$150,000) is borne by MRL pursuant to the Restructuring Agreement.

Note 2: Rental expenses under operating leases in respect of:

	2003 HK\$'000	2002 HK\$'000
Premises	—	416
Others	—	496
	—	912
Rental expenses payable to I-China Group	—	(94)
Rental expenses payable to outsiders	—	818
	<u>—</u>	<u>818</u>

7. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest payable on bank and other borrowings		
wholly repayable within five years	45,898	90,924
Obligations under finance leases	50	122
	<u>45,948</u>	<u>91,046</u>

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8. TAXATION — CREDIT/(CHARGE)

The credit/(charge) comprises:

	2003 HK\$'000	2002 HK\$'000
Overprovision/(Underprovision) for Hong Kong Profits Tax in prior years	2,609	(31,224)
Overseas taxation	—	—
	<u>2,609</u>	<u>(31,224)</u>
Deferred taxation — overseas	591	—
	<u>591</u>	<u>—</u>
Taxation attributable to the Company and its subsidiaries	<u><u>3,200</u></u>	<u><u>(31,224)</u></u>

No provision for Hong Kong Profits Tax and taxation in overseas countries, in which the Group operates, have been made in the financial statements as the Group did not have any assessable profits derived in the respective jurisdictions for both years.

No provision for deferred taxation has been made in respect of the surplus or deficit arising on the revaluation of properties outside Hong Kong as the amount involved is not significant.

The Group and the Company did not have any other significant unprovided deferred taxation in respect of timing differences arising during the year or as at the balance sheet date.

9. DIRECTORS' REMUNERATION

Remuneration of the Company's directors disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2003 HK\$'000	2002 HK\$'000
Fees		
— Executive directors	—	36
— Non-executive directors	—	9
— Independent non-executive directors	—	18
Other emoluments		
Salaries and other benefits-in-kind		
— Executive directors	—	6,815
— Non-executive directors	—	3,270
— Independent non-executive directors	—	—
Retirement benefit costs		
— Executive directors	—	236
— Non-executive directors	—	148
— Independent non-executive directors	—	—
Severance payments		
— Executive directors	—	—
— Non-executive directors	—	—
— Independent non-executive directors	—	—
	<u><u>—</u></u>	<u><u>10,532</u></u>

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The emoluments of the directors are within the following bands:

	Number of Directors	
	2003	2002
Nil to HK\$1,000,000	6	4
HK\$1,000,001 — HK\$2,000,000	—	2
HK\$2,000,001 — HK\$2,500,000	—	—
HK\$2,500,001 — HK\$3,000,000	—	—
HK\$3,000,001 — HK\$3,500,000	—	2
	<u> </u>	<u> </u>

During the years ended 31 March 2003 and 2002, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid individuals included no (2002: three) directors, details of whose emoluments are set out above. The emoluments of the five (2002: two) individuals are as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	2,482	3,647
Retirement benefit scheme and MPF contributions	36	156
	<u> </u>	<u> </u>
	<u>2,518</u>	<u>3,803</u>

The emoluments of the employees are within the following bands:

	Number of employees	
	2003	2002
Nil — HK\$1,000,000	5	—
HK\$1,000,001 — HK\$1,500,000	—	1
HK\$1,500,001 — HK\$2,000,000	—	—
HK\$2,000,001 — HK\$2,500,000	—	1
	<u> </u>	<u> </u>

During the years ended 31 March 2003 and 2002, no emoluments were paid by the Group to the five individuals with the highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

11. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders includes a loss of approximately HK\$39,617,000 (2002: HK\$1,228,544,000) which has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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12. DIVIDENDS

The Provisional Liquidators do not recommend the payment of a dividend for the year ended 31 March 2003 (2002: nil).

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of approximately HK\$47,650,000 (2002: HK\$1,516,245,000) and on 1,547,042,829 (2002: 1,547,042,829) shares in issue during the year.

No amount has been presented for the diluted loss per share for the years ended 31 March 2003 and 2002 as the exercise of the outstanding share options of the Company during the years ended 31 March 2003 and 2002 would result in reducing loss per share.

14. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 3 to the financial statements. Segment information is presented by way of two segment formats: (i) on primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's business segments were classified as follows:

- (a) cold storage warehousing and logistics management segment; and
- (b) the property investment segment.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the assets. There were no intersegment sales and transfers during the year.

NOTES TO THE FINANCIAL STATEMENTS

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(a) Business Segments

Revenue, results and certain assets, liabilities and expenditure information for the Group's business segment for the two years ended 31 March 2003 and 2002 are set out below:

	Cold storage warehousing and logistics management		Property investment		Corporate		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE								
External revenue	16,881	159,158	—	6,114	—	—	16,881	165,272
Other revenue	407	1,218	4	39	—	—	411	1,257
Total revenue	<u>17,288</u>	<u>160,376</u>	<u>4</u>	<u>6,153</u>	<u>—</u>	<u>—</u>	<u>17,292</u>	<u>166,529</u>
SEGMENT RESULTS	<u>5,977</u>	<u>(529,906)</u>	<u>(321)</u>	<u>(152,761)</u>	<u>—</u>	<u>—</u>	5,656	(682,667)
Unallocated costs					(10,558)	(63,224)	(10,558)	(63,224)
Loss arising from liquidation of subsidiaries					—	(648,330)	—	(648,330)
Finance costs					(45,948)	(91,046)	(45,948)	(91,046)
Taxation- credit/(charge)					3,200	(31,224)	3,200	(31,224)
Minority interests					—	246	—	246
Loss attributable to shareholders							<u>(47,650)</u>	<u>(1,516,245)</u>
Other information:								
Segment assets	25,803	63,333	1,803	2,160	15,792	18,040	43,398	83,533
Segment liabilities	646,178	689,297	1,455	2,261	699,346	643,721	1,346,979	1,335,279
Capital expenditure	491	2,338	—	—	—	88	491	2,426
Depreciation	2,032	31,054	—	940	—	774	2,032	32,768
Provision for impairment loss of properties	<u>—</u>	<u>—</u>	<u>—</u>	<u>60,041</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>60,041</u>

NOTES TO THE FINANCIAL STATEMENTS

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(b) Geographical Segments

The following table presents revenue, result and certain assets and expenditure for the Group's geographical segments for the two years ended 31 March 2003 and 2002:

	Hong Kong & PRC		Australia		Indonesia		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE								
External revenue	—	151,571	16,881	13,701	—	—	16,881	165,272
Other revenue	386	1,238	25	19	—	—	411	1,257
Total revenue	<u>386</u>	<u>152,809</u>	<u>16,906</u>	<u>13,720</u>	<u>—</u>	<u>—</u>	<u>17,292</u>	<u>166,529</u>
SEGMENT								
RESULTS	<u>(12,981)</u>	<u>(1,333,390)</u>	<u>8,079</u>	<u>(790)</u>	<u>—</u>	<u>(60,041)</u>	<u>(4,902)</u>	<u>(1,394,221)</u>
Other information:								
Segment assets	20,614	50,452	22,784	33,081	—	—	43,398	83,533
Capital expenditure	<u>—</u>	<u>2,337</u>	<u>491</u>	<u>89</u>	<u>—</u>	<u>—</u>	<u>491</u>	<u>2,426</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Investment properties HK\$'000 (note (a))	Properties held for development HK\$'000 (note (b))	Cold storage warehouses HK\$'000	Other land and buildings HK\$'000 note (c)	Furniture, machinery and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation							
At 1 April 2002	—	—	26,929	2,920	15,223	2,821	47,893
Exchange adjustments	—	—	3,717	—	1,282	75	5,074
Revaluation adjustments	—	—	1,886	—	—	—	1,886
Additions	—	—	—	—	491	—	491
Written off	—	—	—	—	(4,779)	—	(4,779)
Disposals	—	—	(17,916)	—	(1,525)	(625)	(20,066)
At 31 March 2003	—	—	14,616	2,920	10,692	2,271	30,499
Depreciation and amortisation							
At 1 April 2002	—	—	921	63	11,545	2,506	15,035
Exchange adjustments	—	—	127	—	792	32	951
Charge for the year	—	—	683	61	1,211	77	2,032
Eliminated on disposals	—	—	(477)	—	(972)	(625)	(2,074)
Written off	—	—	—	—	(4,746)	—	(4,746)
Write back on revaluation	—	—	(997)	—	—	—	(997)
At 31 March 2003	—	—	257	124	7,830	1,990	10,201
Net book value							
At 31 March 2003	—	—	14,359	2,796	2,862	281	20,298
At 31 March 2002	—	—	26,008	2,857	3,678	315	32,858

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

The Company

	Furniture, machinery and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 1 April 2002	2,073	1,658	3,731
Disposals	(2,073)	—	(2,073)
	<hr/>	<hr/>	<hr/>
At 31 March 2003	—	1,658	1,658
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 April 2002	1,997	1,658	3,655
Charge for the year	76	—	76
Eliminated on disposals	(2,073)	—	(2,073)
	<hr/>	<hr/>	<hr/>
At 31 March 2003	—	1,658	1,658
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2003	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2002	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The net book value of properties held by the Group at the balance sheet date comprises:

	2003		2002	
	Cold storage warehouses <i>HK\$'000</i>	Other land and buildings <i>HK\$'000</i>	Cold storage warehouses <i>HK\$'000</i>	Other land and buildings <i>HK\$'000</i>
Held outside Hong Kong				
Under freehold	14,359	—	26,008	—
Under long lease	—	1,561	—	1,590
Under medium-term lease	—	1,235	—	1,267
	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

- (a) In March and May 1995, the Company's wholly-owned subsidiary, Pentagon Profits Limited ("Pentagon Profits"), entered into two sales and purchase agreements ("Purchase Agreements") in the PRC to acquire 24 townhouses under construction located in Beijing, PRC for total consideration of approximately HK\$96 million. This consideration was paid in full by the Group in 1995. However, the Certificate of Housing Ownership has never been obtained by Pentagon Profits for these townhouses. A legal opinion has been obtained in June 2003 by the Provisional Liquidators of the Company based on which there are considerable doubt as to whether Pentagon Profits will ever obtain title to the townhouses.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

As a result, the Provisional Liquidators of the Company had fully written off, retrospectively, as prior year adjustments, the carrying value of approximately HK\$135 million of these properties as carried forward from 31 March 2001, against the accumulated losses (approximately HK\$96,164,000) and the asset revaluation reserve arose in the previous years prior to 2000 (approximately HK\$27,736,000) and in the year ended 31 March 2001 (approximately HK\$11,310,000), respectively.

- (b) Properties held for development in Indonesia represent 111 lots of land held by various Indonesian trustees on trust of the Group, based on certain agreement made with these trustees. Based on a legal opinion obtained by the Provisional Liquidators of the Company in January 2003, the Group may have rights to but not the legal title in respect of the land. Consequently, the Group has fully provided for these properties resulting in an aggregate impairment loss of approximately HK\$60,041,000 charged to the consolidated income statement for the year ended 31 March 2002, which represented the carrying value of approximately HK\$53,141,000 and the related previous accumulated exchange deficit of approximately HK\$6,900,000 in respect of these properties.
- (c) Certain other land and buildings of the Group located outside Hong Kong were revalued by Chesterton International (NSW) PTY Limited as at 31 March 2001, on an open market existing use basis, at approximately HK\$1,620,000. The remaining other land and buildings located outside Hong Kong were valued as at 31 March 2001 by the directors of the Company at approximately HK\$1,300,000, which were subsequently foreclosed by a creditor bank pursuant to an enforcement order awarded by the court of Shenzhen, PRC as referred to note 32(b) to the financial statements.

16. INTERESTS IN SUBSIDIARIES

	The Company	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	392,541	392,541
Amounts due from subsidiaries	1,987,174	2,010,849
	<hr/>	<hr/>
	2,379,715	2,403,390
Less: Impairment losses recognised	(1,857,819)	(1,857,819)
	<hr/>	<hr/>
	<u>521,896</u>	<u>545,571</u>

Particulars of the Company's principal subsidiaries as at 31 March 2003 are set out in note 30 to the financial statements.

The amounts due from subsidiaries have no fixed terms of repayment, are unsecured and interest free except for amounts due from certain subsidiaries of approximately HK\$93,721,000 (2002: HK\$220,623,000) which bear interest at the rates ranging from 1% to 1.75% (2002: 0.25% to 1.75%) above the prevailing Hong Kong prime interest rate per annum.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

NOTES TO THE FINANCIAL STATEMENTS

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17. OTHER INVESTMENTS

	The Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed shares in Hong Kong	—	6,510
Market value of listed securities at 31 March	—	6,510

18. TRADE AND OTHER RECEIVABLES

Included in the Group's trade and other receivables were current account with the Provisional Liquidators of the Company for funds arising from realisation of assets of approximately HK\$8,217,000 (2002: HK\$3,400,000), and trade receivables as follows:

Trade receivables

The Group allows an average credit period of 60 days to its trade customers.

Details of the aged analysis of trade receivables of the Group are as follows:

	The Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 — 30 days	1,138	1,365
31 — 60 days	417	611
61 — 180 days	227	78
More than 180 days	37	213
	<u>1,819</u>	<u>2,267</u>

NOTES TO THE FINANCIAL STATEMENTS

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19. AMOUNTS DUE FROM I-CHINA GROUP

Nature of the advances	The Group			The Company		
	Balance at 31/3/2003 HK\$'000	Balance at 1/4/2002 HK\$'000	Maximum debit balance outstanding during the year HK\$'000	Balance at 31/3/2003 HK\$'000	Balance at 1/4/2002 HK\$'000	Maximum debit balance outstanding during the year HK\$'000
Amounts due from I-China Group						
— Interest bearing (Note)						
Secured	1,655	1,655	1,655	—	—	—
Unsecured	4,465	4,465	4,465	—	—	—
— Interest-free						
Unsecured	246	247	247	246	247	247
	6,366	6,367		246	247	
Less: Provision	(6,366)	(6,367)		(246)	(247)	
	—	—		—	—	

Note: The amounts represent secured loans granted by Seapower Finance Limited, a subsidiary of the Company and a licensed money lender whose principal activity is money lending. The loans bear interest at prevailing market rates and are secured by certain shares and property, plant and equipment of the I-China Group as at 31 March 2003.

The amounts due from the I-China Group at 31 March 2003 had no fixed terms of repayment.

20. TRADE AND OTHER PAYABLES

Included in trade and other payables were interests payable of approximately HK\$77,436,000 (2002: HK\$45,975,000) and trade payables of approximately HK\$919,000 (2002: HK\$2,137,000) with aged analysis as follows:

	The Group	
	2003 HK\$'000	2002 HK\$'000
0 — 30 days	680	986
31 — 60 days	98	560
61 — 90 days	2	341
More than 90 days	139	250
	919	2,137

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

21. AMOUNTS DUE TO SUBSIDIARIES AND SUBSIDIARIES UNDER LIQUIDATION

The amounts due to subsidiaries have no fixed repayment terms, are unsecured and interest free except for approximately HK\$67,493,000 (2002: HK\$67,493,000) due to Seapower Finance Limited which bears interest at the rate of 8% per annum.

The amounts due to subsidiaries under liquidation are interest free, unsecured and have no fixed term of repayment.

22. BANK AND OTHER BORROWINGS

Bank and other borrowings comprise:

	The Group		The Company	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank and other loans (including interest capitalised of HK\$13,130,000 (2002: HK\$nil))	512,956	529,745	508,025	509,782
Bank overdrafts	2,628	4,497	2,628	4,300
	<u>515,584</u>	<u>534,242</u>	<u>510,653</u>	<u>514,082</u>
Analysed as:				
Secured	170,334	185,375	165,404	165,215
Unsecured	345,250	348,867	345,249	348,867
	<u>515,584</u>	<u>534,242</u>	<u>510,653</u>	<u>514,082</u>

The Group's and the Company's borrowings from the creditor banks were not repaid according to the schedules set by the creditor banks and, consequently, were due for immediate repayment, and accordingly, the entire outstanding amounts were reclassified as current liabilities.

23. SHARE CAPITAL

	Number of share	Value HK\$'000
Authorised:		
At 31 March 2003 and 31 March 2002 at HK\$0.05 each	<u>20,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 31 March 2003 and 31 March 2002 at HK\$0.05 each	<u>1,547,042,829</u>	<u>77,352</u>

NOTES TO THE FINANCIAL STATEMENTS

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24. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme adopted on 30 September 1999 ("Share Option Scheme"), the Board of Directors of the Company may, at their discretion, grant options to any eligible employees of the Company or any of its subsidiaries (including Executive Directors and other officers of the Company or its subsidiaries) to subscribe for shares in the Company in accordance with the terms of the Share Option Scheme.

The exercise price of the options shall be determined by the Directors of the Company, being not less than 80% of the average closing prices of the shares in the Company for the five trading days immediately preceding the date of offer of the option, or the nominal value of the shares, whichever is higher. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

A summary of the movements in the share options granted under the Share Option Scheme during the year is as follows:

	Share options with an exercise price of HK\$0.125 per share		Share options with an exercise price of HK\$0.223 per share	
	Number	Value HK\$'000	Number	Value HK\$'000
Balance in issue at 1 April 2001	153,929,386	19,241	200,000	45
Lapsed during the year ended 31 March 2002 (<i>note</i>)	(4,840,521)	(605)	—	—
Balance in issue at 31 March 2002	149,088,865	18,636	200,000	45
Lapsed during the year (<i>note</i>)	(149,088,865)	(18,636)	(200,000)	(45)
Balance in issue at 31 March 2003	—	—	—	—

Note: Due to the financial difficulties of the Group, the employment contracts of the staff were terminated and the outstanding options previously granted to the staff were not exercised and thus lapsed in accordance with the Share Option Scheme.

25. RETIREMENT BENEFIT SCHEMES

With effect from 1 December 2000, the Group has also joined a MPF scheme for all employees in Hong Kong ("MPF Scheme"). 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 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 to MPF Scheme is to make the required contributions under the scheme.

NOTES TO THE FINANCIAL STATEMENTS

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The MPF Scheme is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's relevant income. The maximum relevant income for contribution purpose is HK\$20,000 per month. Staff members are entitled to 100% of the Group's contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

26. COMMITMENTS

The Group and Company did not have any significant capital and operating lease commitments as at the balance sheet date.

27. CONTINGENT LIABILITIES

The Company's guarantees given to the financial institutions in respect of credit facilities utilised by its subsidiaries amounting to approximately HK\$193 million (2002: HK\$200 million) out of which approximately HK\$188 million (2002: HK\$180 million) have been fully crystallised and converted into liabilities upon default in repayment by the subsidiaries.

28. CHARGES ON ASSETS

At the balance sheet date, the following assets of the Group have been pledged to secure credit facilities granted to and utilised by the Group:

	The Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other property, plant and equipment	16,802	29,247
Other receivables	52	52
Bank deposits	1,692	1,715
	<u>18,546</u>	<u>31,014</u>

29. RELATED PARTY TRANSACTIONS

Details of significant related party transactions during the year disclosed pursuant to SSAP 20 "Related party disclosures" issued by the Hong Kong Society of Accountants are as follows:

(a)	The Group		The Company	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income other than those on Convertible Notes from I-China Group	372	435	—	—
Rental from I-China Group	—	6	—	—
Rental expenses to I-China Group	—	94	—	94
Secretarial fee from I-China Group	—	161	—	—
	<u>—</u>	<u>161</u>	<u>—</u>	<u>—</u>

Interest income and expense were calculated with reference to prevailing market rates. Management fee and secretarial fee were based on the time spent and cost incurred.

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- (b) The Group's bank borrowings amounting to approximately HK\$35 million (2002: HK\$27 million) were guaranteed by I-China Holdings Limited (Provisional Liquidators Appointed).

Details of the balances with related parties are set out in note 19 to the financial statements.

Save as disclosed above and elsewhere in the financial statements, there were no other significant transactions with related parties during the year or significant balances with them at the end of the year.

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share	Percentage of issued share capital		Principal activities
			held by the Company*/ subsidiaries %	attributable to the Group %	
Allied National Limited	British Virgin Islands/ Hong Kong	US\$1 share	100 *	100	Investment holding
Australian Service Cold Storage (NSW) Pty Ltd.	Australia	A\$2,500,002 shares	100	100	Cold storage warehousing
Billion Limited	British Virgin Islands/PRC	US\$1 share	100 *	100	Investment holding
Fu Shing Realty Development Company Limited	Hong Kong	HK\$1,000,000 shares	100 *	100	Dormant
Gainful Company Limited	British Virgin Islands/ Hong Kong	US\$1 share	100 *	100	Dormant
Gold Enterprise Holdings Limited	Hong Kong	HK\$2 shares	100 *	100	Dormant
Grand United Holdings Limited	Hong Kong	HK\$2 shares	100 *	100	Dormant
iPower Alliance Limited	British Virgin Islands/ Hong Kong	US\$1 share	100	100	Dormant
iPowerB2B.com Limited	Hong Kong	HK\$2 shares	100	100	Investment holding

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Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share	Percentage of issued share capital		Principal activities
			held by the Company*/ subsidiaries %	attributable to the Group %	
iPower Holdings Limited	British Virgin Islands/ Hong Kong	US\$45,000 shares	100	100	Investment holding
iPower Logistics Management System Limited	British Virgin Islands/ Hong Kong	US\$1 share	100	100	Dormant
iPower Warehousing Management System Limited	British Virgin Islands/ Hong Kong	US\$1 share	100	100	Warehousing management system holding
iPower Website Limited	British Virgin Islands/ Hong Kong	US\$1 share	100	100	Dormant
iPower Services Limited	British Virgin Islands/ Hong Kong	US\$1 share	100	100	Dormant
Jolly Target Limited	Hong Kong	HK\$1,000 shares	100 *	100	Dormant
Manfair Holdings Limited	Hong Kong	HK\$2 shares	100 *	100	Dormant
New Success Investments Limited	British Virgin Islands/ Hong Kong	US\$1 share	100	100	Dormant
Ocean World Holdings Limited	Hong Kong	HK\$2 shares	100 *	100	Dormant
Pearlway Holdings Limited	Hong Kong	HK\$2 shares	100 *	100	Dormant
Pentagon Profits Limited	British Virgin Islands/PRC	US\$1 share	100 *	100	Property holding
Seapower China Investments Limited	Hong Kong/PRC	HK\$2 shares	100	100	PRC representative offices holding
Seapower Corporate Finance (China) Company Limited	Hong Kong	HK\$2 shares	100	100	Property holding

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Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share	Percentage of issued share capital held by the Company*/ subsidiaries %	attributable to the Group %	Principal activities
Seapower Developments (Indonesia) Limited	British Virgin Islands/ Indonesia	US\$1 share	100 *	100	Land development
Seapower Finance Limited	Hong Kong	HK\$171,000,000 shares	100	100	Money lending
Seapower Financial Services Group Limited	Hong Kong	HK\$100,000 shares	99	99	Investment holding
Seapower Goodland Holding Limited	Hong Kong/ PRC	HK\$1,000 shares	65	65	Dormant
Seapower Logistics Limited	Hong Kong	HK\$30,000 shares	100	100	Dormant
Seapower Resources Australia Pty Ltd	Australia	A\$7,000,002 shares	100	100	Investment holding
Seapower Resources Freight Forwarding Limited	Hong Kong	HK\$1,000,000 shares	100	100	Dormant
Seapower Resources Gosford Pty Ltd.	Australia	A\$4,200,002 shares	100	100	Cold storage warehousing
Seapower Resources Investment Pty Ltd.	Australia	A\$2,000,002 shares	100	100	Investment holding
Seapower Resources Management Company Limited	Hong Kong	HK\$500,000 shares	100	100	Dormant
Seapower Resources Overseas Finance Limited	Cayman Islands/ Hong Kong	US\$1,000 shares	100 *	100	Group financing
Shing Wai Holdings Limited	Hong Kong	HK\$2 shares	100 *	100	Dormant
Siu Wai Holdings Limited	Hong Kong	HK\$2 shares	100 *	100	Dormant
Topcrown Investments Limited	Hong Kong/ PRC	HK\$10,000 shares	100	100	Property holding

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Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share	Percentage of issued share capital		Principal activities
			held by the Company*/ subsidiaries %	attributable to the Group %	
Topy Luck Limited	British Virgin Islands/ Hong Kong	US\$1 share	100 *	100	Dormant
Wandy Holdings Limited	Hong Kong	HK\$2 shares	100 *	100	Dormant
Winbond Holdings Limited	Hong Kong	HK\$2 shares	100 *	100	Dormant

The above tables list the subsidiaries of the Company and of the Group which, in the opinion of the Provisional Liquidators of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries, associates and jointly controlled entities would, in the opinion of the Provisional Liquidators of the Company, result in particulars of excessive length.

31. DISPOSAL OF SUBSIDIARIES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net assets disposed of:		
Trade and other receivables	—	5,464
Amounts due from group companies	—	655,824
Restricted deposit	—	501
Cash and bank balances	—	33,967
Trade and other payables	—	(22,048)
Amounts due to group companies	(14)	(20,633)
Provision for taxation	(642)	(1)
	<u>(656)</u>	<u>653,074</u>
Capital reserve realised on disposal	—	(2,669)
Gain/(loss) on disposal of subsidiaries	<u>656</u>	<u>(650,321)</u>
	<u>—</u>	<u>84</u>
Satisfied by:		
Accounts receivable — others	<u>—</u>	<u>84</u>

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Analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Cash and bank balances disposed of	<u>—</u>	<u>(33,967)</u>

The subsidiaries disposed of during the year did not have a material contribution to the net cash flows or results of the Group for the year.

32. SUBSEQUENT EVENTS

Subsequent to the balance sheet date and up to the date of approval of the financial statements by the Provisional Liquidators of the Company, the Group entered into the following major transactions:

- (a) On 14 May 2003, the Company entered into the conditional Restructuring Agreement with an independent third party, MRL, in relation to the Restructuring Proposal for the Company. On 11 August 2003, the Restructuring Agreement was amended by a supplemental agreement, and on the same date, the Provisional Liquidators on behalf of the Company entered into with MRL a subscription agreement in relation to the subscription of new shares by MRL upon completion of the Restructuring Proposal. The Restructuring Proposal involves, amongst other things, a capital restructuring, debt restructuring involving the Schemes, and a subscription of new shares and warrants as detailed below:

(i) capital restructuring

The existing authorized share capital of the Company is HK\$1,000,000,000 divided into 20,000,000,000 shares, of which 1,547,042,829 shares of par value HK\$0.05 each are issued and credited as fully paid up. The Company's share capital will be re-organised as follows:

- (1) the par value of every issued share capital will be reduced from HK\$0.05 to HK\$0.0006 and every un-issued share will be cancelled;
- (2) every 100 issued shares reduced pursuant to (i)(1) above of HK\$0.0006 will be consolidated into 1 share of HK\$0.06 each;
- (3) each issued share reduced and consolidated pursuant to (i)(1) and (i)(2) above will be divided into 6 new shares of HK\$0.01 each; and
- (4) the Company's authorised share capital will be reduced to HK\$100,000,000 divided into 10,000,000,000 new shares.

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(ii) debt restructuring

The debt restructuring will involve proposed Schemes under which in the consideration of the Company's creditors' (other than the preferential creditors) discharging and waiving all their claims against the Company, the scheme administrators will receive the following with estimated value of approximately HK\$39 million (being the cash and value of new shares of the Company estimated at par value) for the distribution, on pro-rata basis, to the admitted schemes creditors:

- (1) HK\$38 million in cash from the subscription proceeds of HK\$46 million (as referred to below) to be paid by MRL upon completion;
- (2) 96,000,000 new shares of the Company at par value of HK\$0.01 each;
- (3) any cash held by the Company as at the date of completion.

(iii) subscription

MRL will subscribe, in accordance with the terms of Subscription Agreement before the completion, for 4,600,000,000 new shares of the Company at HK\$0.01 representing approximately 96.06% of the enlarged issued share capital of the Company immediately after the completion, for an aggregate consideration of HK\$46 million in cash ("Subscription Proceeds"). HK\$38 million of the Subscription Proceeds will be applied to the cash payments to the scheme administrators for distribution to the schemes creditors of the Company on pro-rata basis, HK\$1 million will be paid to a petitioning creditor for the settlement of the petitioning costs upon completion, HK\$6.4 million will be applied towards the costs and expenses of Restructuring Proposal and the remaining balance of HK\$0.6 million will be retained as working capital of the Company up to the completion of the Restructuring Agreement.

In addition, MRL will in accordance with the terms of the Subscription Agreement, subscribe for warrants of the Company which entitle the holder(s) to subscribe for a number of new shares of the Company representing 20% of the enlarged issued share capital of the Company upon completion for a total consideration of HK\$1 ("Warrants"). The Warrants if fully exercised at the exercise price of HK\$0.01 per new share (subject to adjustment), will result in the issuance of approximately 957,764,000 new shares of the Company and additional capital of approximately HK\$9 million to the Company.

All the new shares to be issued pursuant to the Subscription Agreement and the exercise of the Warrants will rank pari passu in all respects with the existing new shares of the Company upon the capital restructuring becoming effective.

If requested, MRL agrees to undertake that for a period of 12 months after the completion of the Restructuring Agreement it will make financial accommodation available to the Company for the working capital requirements of the Group on such terms and conditions as MRL and the Company may from time to time agree.

Other precedent conditions are disclosed in the Company's announcement dated 18 June 2003.

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- (b) Subsequent to the balance sheet date and in June 2003, an enforcement order was granted by the court of Shenzhen, PRC in favour of a creditor bank, pursuant to a judgement order awarded in December 2002, to take possession of the Group's property in Shenzhen, PRC. The property is stated at a carrying value of approximately HK\$1,235,000 at the balance sheet date.

- (c) On 22 June 2002, the Provisional Liquidators, on behalf of the Company, entered into a restructuring agreement regarding the restructuring proposal as amended by a supplemental agreement dated 3 October 2002, and a subscription agreement dated 13 November 2002 (collectively "Former Agreements"), with the former investors ("Former Investors"). The Former Agreements were subsequently terminated as the Former Investors breached the stipulated terms. The non-refundable deposits of approximately HK\$2,001,000 and contributions paid for the administrative expenses of approximately HK\$1,260,000 were forfeited by the Company and credited to income statement as other income for the year ended 31 March 2003.

Subsequent to the balance date, the Former Investors applied for leave to commence proceedings against the Company for specific performance of the Former Agreements, an injunction to restrain the Company from progressing a restructuring proposal with any other investor, and in the alternative, damages. The Provisional Liquidators, their legal advisor, and Counsel are of the view that the Former Investors' claim is without merit and no provision for the claim is made in the financial statements accordingly.