

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

1. GENERAL

The Company was incorporated in Hong Kong. Its ordinary shares are listed on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Society of Accountants ("HKSA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In the current year, the Group adopted revised SSAP 2.112 "Income taxes" issued by HKSA which is effective for accounting periods commencing on or after 1 January 2003. The changes to the Group's accounting policies are set out in the respective accounting policy below.

A summary of the principal accounting policies adopted by the Group is set out below.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost modified by the marking to market of certain other investments as explained in the accounting policies set out below.

Preparation of financial statements

For the year ended 31 December 2003, the Group reported a profit for the year of approximately HK\$96,232,000. As at 31 December 2003, the Group had a net capital deficiency of approximately HK\$308,922,000 which was mainly due to investment loss, valuation deficits on property portfolio and provisions. Up to and until 31 December 2003, the Group was unable to repay principal and interest of its bank borrowings and borrowings from a finance company amounting to approximately HK\$256,928,000 when they fell due. As a consequence, they demanded immediate repayment of the related borrowings and interests, which have been classified as current liabilities in the financial statements as at 31 December 2003.

The Group is discussing with them to restructure the repayment terms of existing borrowings and to request that they continue providing credit facilities to the Group. In addition, discussions with potential investors continue as to whether further investment will be made in the Group. The directors believe that the future operations of the Group will be successful. Accordingly the financial statements have been prepared on the going concern basis which assumes that the relevant creditors will agree to restructure the Group's borrowings and borrowings from the finance company and that the discussions with potential investors will result in additional funding.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. The results of subsidiaries acquired and 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 inter-company transactions and balances within the Group are eliminated on consolidation.

The gain or loss on 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, which have not been previously charged or recognised in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries. Losses attributable to minority shareholders of partly owned subsidiaries are accounted for based on the respective equity owned by the minority shareholders up to the capital contributed by and other reserves attributable to the minority shareholders. Thereafter, the Group assumes all further losses.

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

Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is an enterprise in which the Company, directly or indirectly, holds more than half of the voting power or issued share capital, or controls the composition of the board of directors or equivalent governing body. Investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis.

Associates

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary or a joint venture.

The consolidated income statement includes the Group's share of the results of the associate for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associate, net of accumulated amortisation and impairment losses.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or an associate at the date of acquisition. When the terms of an acquisition provide for a subsequent adjustment of the purchase consideration, such adjustment will be treated as addition to or reduction in the cost of acquisition when it becomes probable and a reliable estimate can be made. Goodwill on acquisition is recognised as an asset and is amortised on a straight-line basis over its useful economic life not more than 5 years.

The carrying amount of goodwill is reviewed annually and written down for impairment losses. 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.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, and on the following basis:

Transportation service income and laboratory testing service income are recognised in the period when services are rendered.

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

Rental income is recognised in the period in which the properties are let out and on a straight-line basis over the lease terms.

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.

Investment properties were previously stated at their open market values on the basis of annual professional valuations.

Since 2002, the Group was unable to meet the demand from creditor banks for the repayments of its bank borrowings, certain of which were secured by the Group's investment properties. On prudence grounds, the investment properties have been included in the balance sheet at their estimated restricted realisation prices.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognised as income or expense in the income statement.

Land and buildings were previously stated in the balance sheet at their open market value, less any subsequent accumulated depreciation and accumulated impairment losses.

Since 2002, the Group's land and buildings were taken possession by a creditor bank. The assets have been included in the balance sheet at their estimated restricted realisation prices. The decrease in net carrying amount arising on revaluation of an asset has been recognised as an expense.

Depreciation is provided to write off the cost or valuation less accumulated impairment losses of property, plant and equipment, over their estimated useful lives from the date on which they become fully operational and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	2%
Leasehold improvements	Over lease terms
Machinery and equipment	4% – 9%
Motor vehicles and vessels	11%
Furniture and fixtures	20% – 30%

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Investment in securities

Investments held on a continuing basis with an identified long-term purpose are classified as investment securities, which are stated at cost less any provision for impairment losses that is expected to be other than temporary.

The carrying amount of individual investment securities, or holdings of the same securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments will be reduced to its fair value. The impairment loss is recognised as an expense in the period in which the decline occurs. The impairment loss is written back to income when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Other investments are stated in the balance sheet at their fair values. Changes in fair values are recognised in the income statement as they arise.

The profits or losses on disposal of investment securities and other investments is accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the securities.

Impairment loss

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its tangible and intangible assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net selling price and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, except where the relevant asset is carried at valuation in which case the impairment loss is treated as a revaluation decrease.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately, except where the relevant asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Transactions involving foreign currencies are translated at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

No deferred tax is provided for temporary differences arising from goodwill/negative goodwill and investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current tax rate 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 was expected to be payable in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. The adoption of revised SSAP 2.112 "Income taxes" represents a change in accounting policy, which has been applied retrospectively but has no material effects on these financial statements, so the comparative figures have been restated to conform to the current year's presentation.

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. Rentals payable and receivable under operating leases are recognised as an expense and revenue on the straight-line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Cash equivalents

For the purpose of cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Related parties

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.

Employee benefits

Defined contribution plans

The obligations for contributions to defined contribution Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Equity and equity related compensation benefits

The share option program allows the Company's employees to acquire shares of the Company. The option exercise price equals to the price prescribed in the share option scheme agreement and no compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 the segment. For example, segment assets may include, 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

3. TURNOVER AND REVENUE

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in property investment, pharmaceuticals, bio-pharmaceuticals and financial services.

Turnover and revenue recognised by category are analysed as follows:

	2003 HK\$'000	2002 HK\$'000
Transportation service income	–	647
Rental income	306	5,304
Laboratory testing service income	1,049	834
Turnover	1,355	6,785
Interest income:		
– bank deposits	–	63
– others	13	–
Other revenue	13	63
Revenue	1,368	6,848

4. DISCONTINUING OPERATIONS

In 2002, the Group discontinued its transportation service.

The turnover, results and net cash flows of the discontinued operation for the current year, which have been included in the financial statements were as follows:

	2003 HK\$'000	2002 HK\$'000
Turnover	–	647
Transportation service costs	–	(1,033)
Other operating expenses	(599)	(1,861)
Gain on disposal of property, plant and equipment	1,606	1,561
Impairment of assets	–	(1,591)
Profit (Loss) from ordinary activities before taxation	1,007	(2,277)
Taxation	6	806
Profit (Loss) from ordinary activities	1,013	(1,471)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

4. DISCONTINUING OPERATIONS (Continued)

	2003 HK\$'000	2002 HK\$'000
Net cash flows		
Operating activities	(2,797)	(5,350)
Investing activities	2,425	4,773
Financing activities	—	—
Total cash flows	(372)	(577)

The assets and liabilities to be disposed of for the discontinued operation are as follows:

	2003 HK\$'000	2002 HK\$'000
Property, plant and equipment	18	955
Other assets	4,336	3,453
Total assets	4,354	4,408
Total liabilities	(54)	(1,121)
Net assets	4,300	3,287

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

5. PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging (crediting):

	2003 HK\$'000	2002 HK\$'000
(a) Finance costs		
Interest on bank overdrafts and borrowings wholly repayable within five years	29,258	24,712
Interest on other borrowings	192	163
	<u>29,450</u>	<u>24,875</u>
(b) Other items		
Contributions to defined contribution plans	131	184
Auditors' remuneration	414	535
Operating lease charges on premises	1,055	908
Holding (gain) losses on other investments:		
Singapore Hong Kong Properties Investment Limited ("SHKP")	(48)	2,993
Others	7	84
Loss on disposal of other investments	-	566
Rental income (gross: HK\$306,000 (2002: HK\$5,304,000)) net of outgoings from operating leases on investment properties	(57)	(5,119)
	<u>(57)</u>	<u>(5,119)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:

	2003 HK\$'000	2002 HK\$'000
Fees	80	80
Salaries, other emoluments and other benefits in kind	3,301	3,301
Retirement scheme contributions	24	24
	<u>3,405</u>	<u>3,405</u>

Included in the directors' emoluments were fees of HK\$80,000 (2002: HK\$80,000) paid to an independent non-executive director during the year.

The Company's executive directors were entitled to discretionary bonus. For the year ended 31 December 2003, no discretionary bonus was paid.

The emoluments of directors are within the following bands:

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

There was no arrangement under which director waived or agreed to waive any remuneration during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director during the year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

The five highest-paid individuals of the Group for the year included two directors whose emoluments have been disclosed above. The emoluments of these individuals other than directors are as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries, allowances and benefits in kind	1,152	1,428
Retirement scheme contributions	35	36

The emoluments of the three highest-paid individuals other than directors fell within the HK\$Nil – HK\$1,000,000 band.

7. TAXATION

	2003 HK\$'000	2002 HK\$'000
Hong Kong Profits Tax:		
Overprovision in prior years	(6)	–
Deferred taxation	–	(806)
	<u>(6)</u>	<u>(806)</u>

Hong Kong Profits Tax has not been provided as the Group incurred losses for taxation purposes for the year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

7. TAXATION (Continued)

	2003 HK\$'000	2002 HK\$'000
Reconciliation of tax expense		
Profit (Loss) from ordinary activities before tax	96,530	(140,640)
Income tax at applicable tax rate of 17.5% (2002: 16%)	16,893	(22,502)
Non-deductible expenses	3,592	20,514
Tax exempt revenue	(23,026)	(1,704)
Unrecognised tax losses	2,635	3,357
Unrecognised temporary differences	36	681
Utilisation of previously unrecognised tax losses	(130)	(789)
Recognition of previously unrecognised temporary differences	–	(133)
Overprovision in prior year	(6)	(230)
Tax income for the year	(6)	(806)

The applicable tax rate is the Hong Kong Profits Tax rate of 17.5% (2002: 16%).

8. PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders includes a profit of approximately HK\$108,548,000 (2002: loss of HK\$109,602,000) which has been dealt with in the financial statements of the Company.

9. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2003 was based on the consolidated profit of approximately HK\$96,232,000 (2002: loss of HK\$139,393,000) and the 310,071,347 shares (2002: weighted average of 310,071,346 shares adjusted for share consolidation) in issue during the year.

No diluted earnings per share is presented as there were no dilutive potential ordinary shares in issue for the year. In 2002, no diluted loss per share was presented as the outstanding employee share options were anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

10. INVESTMENT PROPERTIES

	2003 HK\$'000	2002 HK\$'000
Valuation		
At beginning of year	3,000	94,550
Disposals	(3,000)	(90,150)
Revaluation deficit	–	(1,400)
At balance sheet date	–	3,000

In 2002, investment properties mortgaged to a bank were revalued at their estimated restricted realisation prices by RHL Appraisal Ltd., independent professional valuers. Deficit on revaluation of HK\$1,400,000 was charged to the 2002 income statement.

11. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Leasehold land and buildings HK\$'000	Machinery and equipment HK\$'000	Motor vehicles and vessels HK\$'000	Leasehold improvements, furniture and fixtures HK\$'000	Total HK\$'000
Cost or valuation					
At beginning of year	25,000	1,191	1,191	1,733	29,115
Additions	–	–	–	5	5
Disposals	(25,000)	(1,076)	(946)	(1)	(27,023)
At balance sheet date	–	115	245	1,737	2,097
Accumulated depreciation					
At beginning of year	–	774	649	1,132	2,555
Charge for the year	167	37	85	199	488
Eliminated on disposals	(167)	(714)	(489)	–	(1,370)
At balance sheet date	–	97	245	1,331	1,673
Net book value					
At balance sheet date	–	18	–	406	424
At beginning of year	25,000	417	542	601	26,560

All the property, plant and equipment are stated at cost at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

11. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) The Company

	Motor vehicles HK\$'000	Leasehold improvements, furniture and fixtures HK\$'000	Total HK\$'000
Cost			
At beginning of year	245	440	685
Additions	–	5	5
At balance sheet date	245	445	690
Accumulated depreciation			
At beginning of year	241	216	457
Charge for the year	4	89	93
At balance sheet date	245	305	550
Net book value			
At balance sheet date	–	140	140
At beginning of year	4	224	228

12. GOODWILL

	Positive goodwill HK\$'000	Negative goodwill HK\$'000	Total HK\$'000
At beginning of year			
Cost	36,875	(71)	36,804
Accumulated amortisation and impairment losses	(35,327)	71	(35,256)
Opening carrying amount	1,548	–	1,548
Set-off with guarantee income	(1,548)	–	(1,548)
Closing carrying amount	–	–	–
At balance sheet date			
Cost	30,329	(71)	30,258
Accumulated amortisation and impairment losses	(30,329)	71	(30,258)
Closing carrying amount	–	–	–

During the year, the Group recognised a profit guarantee income in the amount of HK\$7,351,000 pursuant to the agreement for the purchase of 70% interest in Global Link Shipping Limited ("GLSL"). An amount of HK\$1,548,000 was used to set off the remaining positive goodwill arising from the acquisition of GLSL. The remaining sum of HK\$5,803,000 has been recognised as an income in the current year income statement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

13. INVESTMENT SECURITIES

	The Group and the Company	
	2003 HK\$'000	2002 HK\$'000
HK128.com Limited	60,000	60,000
Less: Impairment loss	(60,000)	(59,999)
	<u>–</u>	<u>1</u>

In February 2000, the Company acquired 15% equity interests in HK128.com Limited, a company incorporated in the British Virgin Islands by issuance of 300,000,000 ordinary shares of the Company of HK\$0.2 each at par. HK128.com Limited was principally engaged in the operation of a financial information website in Hong Kong and ceased business as of 31 December 2002.

14. INTEREST IN SUBSIDIARIES

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The Group

	2003 HK\$'000	2002 HK\$'000
Unconsolidated subsidiaries:		
Unlisted shares, at cost	66,306	–
Loans to subsidiaries	25,900	–
	<u>92,206</u>	<u>–</u>
Less: Provisions	(92,206)	–
	<u>–</u>	<u>–</u>

On 29 January 2003, a Company's subsidiary which operations were terminated in 2001 received a court order in respect of a creditor winding up and the subsidiary was subsequently taken over by the provisional liquidators. As the Group could no longer exercise any control over the subsidiary and its subsidiaries, these companies were deconsolidated from the Group's financial statements with effect from 29 January 2003 and classified as unconsolidated subsidiaries in the Company's financial statements. As a result of the deconsolidation, the excess of liabilities over assets of the deconsolidated subsidiaries as at 29 January 2003 of approximately HK\$15,378,000 has been reversed and credited to the income statement for the year.

NOTES TO THE FINANCIAL STATEMENTS

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14. INTEREST IN SUBSIDIARIES *(Continued)*

The net losses of the subsidiaries since acquisition attributable to the Company but not consolidated, based on the unaudited financial statements for period ended 29 January 2003 are as follows:

	2003 HK\$'000	Previous years since acquisition HK\$'000
Dealt with in the Company's financial statements	–	(42,808)
Not dealt with in the Company's financial statements	–	–

The Company

	Consolidated subsidiaries HK\$'000	Unconsolidated subsidiaries HK\$'000	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	18,206	66,306	84,512	89,522
Loans to subsidiaries	703,457	4,886	708,343	791,648
	721,663	71,192	792,855	881,170
Less: Provisions	(720,918)	(71,192)	(792,110)	(877,770)
	745	–	745	3,400

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14. INTEREST IN SUBSIDIARIES (Continued)

Loans to subsidiaries are unsecured, interest-free and have no pre-determined repayment terms. The Company has agreed not to demand repayment from the subsidiaries before 1 January 2005.

Details of the principal subsidiaries at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid capital	Percentage of capital held by the Company	Principal activities
Brilliant Team Investment Limited	Hong Kong	HK\$2	100%	Investment holding
Deluxe Gold International Limited	Hong Kong	HK\$2	100%	Investment holding
GenePro Medical Biotechnology Limited	Hong Kong	HK\$1,000,000	100%	DNA testing services
Global Link Shipping Limited*	Hong Kong	HK\$100,000	70%	Inactive
Golden Head Limited	Hong Kong	HK\$2	100%	Inactive
Grace Concord Investment Limited	Hong Kong	HK\$2	100%	Inactive
Jumbo Gold International Limited	Hong Kong	HK\$2	100%	Investment holding
Kimpo Investment Limited	Hong Kong	HK\$2	100%	Investment holding
Ontex Investment Limited	Hong Kong	HK\$2	100%	Investment holding

* This subsidiary is indirectly owned by the Company.

The above summary lists only those subsidiaries of the Company which, in the opinion of the directors, principally affected the results or formed a substantial portion of the net worth of the Group. To give details for other subsidiaries would, in the opinion of the Company's directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2003.

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15. INTEREST IN ASSOCIATES

	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	–	24,500
Share of net assets	49	18
	<u>49</u>	<u>24,518</u>
Less: Pre-operating expenses	–	(4,902)
Impairment loss	–	(7,598)
	<u>49</u>	<u>12,018</u>
Due to an associate	(4)	(8)
	<u>45</u>	<u>12,010</u>

During the year, the Group disposed of its 49% equity interest in an associate, Beijing Radiant Bio-Tech Limited, at its carrying value of HK\$12,000,002.

Investment in the associate at the balance sheet date represents 20% of the issued ordinary share capital of Biosonic Limited, a company which was incorporated in the British Virgin Islands and engaged in the provision of general property consultancy services.

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16. OTHER INVESTMENTS

	The Group and the Company	
	2003 HK\$'000	2002 HK\$'000
At fair value:		
Equity securities listed in Hong Kong		
– SHKP	386	338
– Others	41	48
	<u>427</u>	<u>386</u>

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17. TRADE AND OTHER RECEIVABLES

	Note	The Group		The Company	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade receivables	17(a)	145	2,530	–	–
Other receivables					
Deposits, prepayment and other debtors		5,136	2,344	4,020	58
Due from a related company	17(b)	45	–	–	–
Due from SHKP	17(c)	–	6,000	–	6,000
		<u>5,181</u>	<u>8,344</u>	<u>4,020</u>	<u>6,058</u>
		<u>5,326</u>	<u>10,874</u>	<u>4,020</u>	<u>6,058</u>

17(a) TRADE RECEIVABLES

The Group provides term credit to customers in accordance with the Group's established credit policies of 30 days (2002: 30 days). The ageing analysis of trade receivables is as follows:

	2003 HK\$'000	2002 HK\$'000
Within 1 month	76	66
1 – 2 months	39	45
2 – 3 months	–	14
3 – 6 months	1	30
6 – 12 months	2	28
Over 1 year	27	2,347
	<u>145</u>	<u>2,530</u>

17(b) DUE FROM A RELATED COMPANY

It represents amount due from ReliaLab Medical Laboratory & X-Ray Centre Limited ("ReliaLab"). Dr. Wan Kwong Kee, a director of the Company, and Dr. Chow Wing Cho, a director of a wholly-owned subsidiary of the Company, are also directors and indirect shareholders of ReliaLab. The amount due is unsecured, interest-free and has no fixed repayment terms. The maximum amount outstanding during the year is HK\$45,000 (2002: HK\$Nil).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

17. TRADE AND OTHER RECEIVABLES *(Continued)*

17(c) DUE FROM SHKP

The amount due is unsecured, interest-bearing and without pre-determined repayment terms.

SHKP is a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

In 2000, the Group disposed of nine subsidiaries (all being property holding companies) to SHKP. The Group's bank borrowings amounting to approximately HK\$65,211,000 as at the date of disposal of the subsidiaries (the "Relevant Bank Borrowings") were secured by mortgages over the properties held by five out of the nine subsidiaries (the "Mortgaged Properties"). These bank borrowings were not transferred to SHKP pursuant to the disposal.

On 15 June 2001, the Group and SHKP signed a Deed of Confirmation whereby SHKP agreed to assume the obligations and liabilities in respect of the Relevant Bank Borrowings by creating an amount of approximately HK\$65,211,000 due to the Company. On 1 August 2001, approximately HK\$22,811,000 of the Relevant Bank Borrowings were formally transferred to SHKP through disposal at net book value of Sheen Win Investment Limited, the subsidiary carrying such loans, to SHKP. Amounts equal to the interest accrued as from date of disposal of the subsidiaries on the Relevant Bank Borrowings have also been charged to the account with SHKP. Accrued interest chargeable to SHKP for the year pursuant to the Deed of Confirmation amounted to HK\$6,346,000. As it is not certain on whether this amount can be recoverable, the accrued interest has not been recognised as an income for the year.

During the year, net proceeds from disposal of the remaining Mortgaged Properties amounting to approximately HK\$6,877,000 (2002: HK\$14,786,000) was used to reduce the amount of the Relevant Bank Borrowings. The amount due from SHKP has also been reduced by the same amount.

The Relevant Bank Borrowings which amounted to approximately HK\$24,356,000 (2002: HK\$31,233,000) became unsecured when the relevant security was disposed of during the year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

18. BORROWINGS

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank borrowings (note 18(a))				
Bank overdrafts				
– secured	–	40,846	–	–
– unsecured	50,606	44,652	32,909	39,786
Trust receipts bank loans				
– secured	–	20,485	–	–
– unsecured	17,404	–	–	–
Other bank borrowings				
– secured	–	35,979	–	–
– unsecured	90,553	57,355	–	–
Other borrowings (note 18(b))	3,684	6,124	1,294	6,124
	<u>162,247</u>	<u>205,441</u>	<u>34,203</u>	<u>45,910</u>

18(a) BANK BORROWINGS

Owing to the liquidity situation as described in note 2, the Group was unable to repay the principal and interest of its bank borrowings when they fell due. As a result, the entire amount of the bank borrowings became repayable on demand and have been classified as current liabilities in the financial statements.

During the year, the creditor bank revised the interest rates for the overdue bank overdrafts from the range of Hong Kong prime lending rate plus 2.125% to 3.5% per annum to the Hong Kong prime lending rate plus 10% per annum.

Meanwhile, the Group has commenced discussion with its bank for restructuring the repayment of the borrowings. Proposals have been submitted to the bank and the Group is still in negotiation with the bank for the finalisation of a restructuring scheme.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

18. BORROWINGS (Continued)

18(b) OTHER BORROWINGS

Included in other borrowings were an amount of approximately HK\$1,294,000 (2002: HK\$1,124,000) due to a securities broker and an amount of approximately HK\$2,390,000 (2002: HK\$Nil) which represented a part of bank borrowings assigned to a finance company. The amount due to the securities broker bore interest at 14% per annum (2002:14% per annum) and was secured by the Group's other investments with a net book value of approximately HK\$378,000 (2002: HK\$330,000). The amount due to the finance company was unsecured and bore interest at Hong Kong prime lending rate plus 6% per annum. All of these borrowings are repayable on demand.

19. TRADE AND OTHER PAYABLES

	Note	The Group		The Company	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade payables	19(a)	234	6,096	–	–
Other payables					
Accrued charges and other creditors		9,287	15,427	8,846	11,122
Accrued interest expenses		95,975	66,336	16,854	7,858
Convertible note deposit received	19(b)	7,200	7,200	7,200	7,200
Due to subsidiaries	19(c)	–	–	6,849	6,999
Due to directors	19(d)	1,297	1,986	819	748
Due to a former related company	19(e)	1,546	1,546	1,546	1,546
Due to a subsidiary of SHKP		17,852	19,702	–	–
		133,157	112,197	42,114	35,473
		133,391	118,293	42,114	35,473

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

19. TRADE AND OTHER PAYABLES (Continued)

19(a) TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2003 HK\$'000	2002 HK\$'000
Within 1 month	51	71
1 – 2 months	33	76
2 – 3 months	9	58
3 – 6 months	23	126
6 – 12 months	66	186
Over 1 year	52	5,579
	<u>234</u>	<u>6,096</u>

19(b) CONVERTIBLE NOTE DEPOSIT RECEIVED

On 15 May 2001, the Company entered into an agreement (the "Agreement") with an independent third party (the "Purchaser") under which the Company would issue convertible note of HK\$80,000,000 to the Purchaser on or before 30 June 2001. Such convertible note was unsecured, bore interest at 3% per annum and convertible (at the discretion of the Company) into ordinary shares of the Company at conversion price of HK\$0.22 per share.

The completion date of the Agreement was subsequently extended to 31 July 2001 and later to 18 September 2001 by mutual agreement. On 18 September 2001, the Company and the Purchaser entered into a supplemental agreement to amend certain terms of the convertible note. Under the supplemental agreement, the principal amount of the convertible note was increased from HK\$80,000,000 to HK\$100,000,000 and would be issued in three tranches. Deposits totalling HK\$7,200,000 were received in 2001. Assuming the first tranche to be converted at HK\$0.22 per share and the second and third tranches to be converted at HK\$0.20 per share, the Company would be required to issue 486,363,636 shares (before adjustment for share consolidation) to the Purchaser. On 31 December 2001, the Purchaser informed the Company in writing that it would not proceed with the completion of the supplemental agreement in relation to the issue of the convertible notes on the ground of an alleged default. The Directors are of the view that the Purchaser's reason for not completing the supplemental agreement is without merit. The Company is considering its legal position and may take appropriate actions where necessary.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

19. TRADE AND OTHER PAYABLES (Continued)

19(c) DUE TO SUBSIDIARIES

The amounts due are unsecured, interest-free and have no fixed repayment terms.

19(d) DUE TO DIRECTORS

The amounts due are unsecured, interest-free and have no fixed repayment terms.

Details of amounts due to directors are as follows:

Name of director	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Wan Kwong Kee	798	1,558	320	320
Chan Peng Kuan	499	428	499	428
	<u>1,297</u>	<u>1,986</u>	<u>819</u>	<u>748</u>

- (i) During the year, a cash advance of approximately HK\$240,000 was received from Dr. Wan Kwong Kee to finance the laboratory testing operation.
- (ii) During the year, a cash advance of approximately HK\$400,000 was received from Mr. Chan Peng Kuan to finance the Company's operation.

19(e) DUE TO A FORMER RELATED COMPANY

The amount due is unsecured, interest-free and has no fixed repayment terms.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

20. PROVISIONS

	Note	The Group			The Company		
		Provision under corporate guarantees	Other provisions	Total	Provision under corporate guarantees	Other provisions	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year		108,350	29,283	137,633	108,350	18,850	127,200
Write back of provision upon release of corporate guarantees given to a creditor bank	20(a)	(82,142)	-	(82,142)	(82,142)	-	(82,142)
Write back of provision upon release of corporate guarantees given to other creditor banks	20(b)	(26,123)	-	(26,123)	(26,123)	-	(26,123)
Expenses related to release of corporate guarantees given to creditor banks	20(b)	(85)	-	(85)	(85)	-	(85)
Write back of provision upon deconsolidation of subsidiaries	20(c)	-	(10,433)	(10,433)	-	-	-
At balance sheet date		-	18,850	18,850	-	18,850	18,850

20(a) As at 31 December 2003, there were corporate guarantees ("SHKP Guarantees") given by the Company to Bank of China (Hong Kong) Limited ("BOC") in respect of banking facilities extended to certain subsidiaries of SHKP ("SHKP's borrowings"). These banking facilities were secured by certain investment properties owned by the subsidiaries of SHKP.

According to the public announcement issued by SHKP, SHKP and certain of its subsidiaries entered into a settlement agreement with BOC on 31 December 2003 for the settlement of the SHKP's borrowings ("the Settlement Agreement"). Pursuant to the Settlement Agreement, BOC also agreed to release the Company of its liabilities and obligations under the SHKP Guarantees on fulfillment of certain conditions.

20. PROVISIONS (Continued)

On 22 March 2004, BOC notified the Company that the Company was released of all liabilities and obligations under the SHKP Guarantees subject to reinstatement if the settlement of the SHKP's borrowings under the Settlement Agreement is revoked. No revocation of release of or reinstatement of the liabilities and obligations under the SHKP Guarantees has been notified by BOC as at the date of the issue of these financial statements. The directors of the Company consider that the occurrence of the settlement of the SHKP's borrowings under the Settlement Agreement being revoked is not probable. On this basis, the provisions for losses in respect of the SHKP Guarantees in the amount of HK\$82,142,000 have been written back as income for the year accordingly.

- 20(b)** On 16 June 2003, the Company entered into a settlement deed with Citic Ka Wah Bank Limited and SHKP. Pursuant to the settlement deed, Citic Ka Wah Bank Limited agreed to discharge and release all the liabilities and obligations of the Company under a guarantee given by the Company in favour of the bank in respect of the banking facilities extended to a SHKP's subsidiary upon payments of HK\$1,000,000 to the bank and HK\$35,000 to the bank's solicitors by the Company. Having made all these payments, provisions of approximately HK\$17,289,000 previously made in respect of this corporate guarantee were written back as income for the year.

On 19 September 2003, the Company entered into a settlement deed with Bank of Communications, Hong Kong Branch ("BoCom"), SHKP and certain subsidiaries of SHKP. Pursuant to the settlement deed, BoCom agreed to discharge and release all the liabilities and obligations of the Company under a guarantee given by the Company in favour of the bank in respect of the banking facilities extended to a SHKP's subsidiary upon payments of HK\$850,000 to the bank and HK\$50,000 to the bank's solicitors. Having made all these payments, provisions of approximately HK\$8,834,000 previously made in respect of this corporate guarantee were written back as income for the year.

- 20(c)** A provision for a legal claim against a subsidiary was written back when the subsidiary was deconsolidated from the Group's financial statements during the year.
- 20(d)** Other provisions comprise principally provisions in respect of legal claims. The directors consider that disclosure of further details of these claims would seriously prejudice the Company's negotiation position and accordingly further information on the nature of the obligations has not been provided.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

21. DEFERRED TAXATION

The Group has not recognised tax assets in respect of tax losses of HK\$217,466,000 (2002: HK\$203,307,000).

The Company has not recognised tax assets in respect of tax losses of HK\$86,787,000 (2002: HK\$78,779,000).

The tax losses have no expiry date under current tax legislation.

22. ISSUED CAPITAL

	2003		2002	
	No. of shares '000	Nominal value HK\$'000	No. of shares '000	Nominal value HK\$'000
Authorised:				
At beginning of year, at HK\$0.02 (2002: HK\$0.2) each	100,000,000	2,000,000	10,000,000	2,000,000
Reduction of capital	-	-	-	(1,990,000)
Increase in authorised capital	-	-	1,990,000,000	1,990,000
Consolidation of shares	-	-	(1,900,000,000)	-
At balance sheet date, at HK\$0.02 each	<u>100,000,000</u>	<u>2,000,000</u>	<u>100,000,000</u>	<u>2,000,000</u>
Issued and fully paid:				
At beginning of year, at HK\$0.02 (2002: HK\$0.2) each	310,071	6,201	6,201,427	1,240,285
Issued upon exercise of employee share options	-	-	-	-
Reduction of capital	-	-	-	(1,234,084)
Consolidation of shares	-	-	(5,891,356)	-
At balance sheet date, at HK\$0.02 each	<u>310,071</u>	<u>6,201</u>	<u>310,071</u>	<u>6,201</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

23. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Special capital reserve HK\$'000	Total HK\$'000
The Group					
At 1 January 2002	475,508	3,571	200	–	479,279
Premium arising from issue of shares upon exercise of employee share options	–	–	–	–	–
Reduction of capital	(475,508)	–	–	–	(475,508)
Transfer as required under the Order on Petition	–	–	–	18	18
At 31 December 2002 and at 31 December 2003	–	3,571	200	18	3,789
	Share premium HK\$'000	General reserve HK\$'000	Special capital reserve HK\$'000	Total HK\$'000	
The Company					
At 1 January 2002		475,508	200	–	475,708
Premium arising from issue of shares upon exercise of employee share options		–	–	–	–
Reduction of capital		(475,508)	–	–	(475,508)
Transfer as required under the Order on Petition		–	–	18	18
At 31 December 2002		–	200	18	218
Transfer as required under the Order on Petition		–	–	21,703	21,703
At 31 December 2003		–	200	21,721	21,921

23. RESERVES (Continued)

- (a) As part of the capital reorganisation ("the Reorganisation") (details of which are set out in the Company's circular dated 1 August 2002), an Order on Petition dated 15 October 2002 (the "Order") was issued by the High Court of the Hong Kong Special Administrative Region in connection with the reduction of the capital and the utilisation of the share premium account of the Company pursuant to which the Company undertook to the Court that any future recoveries by the Company in respect of certain provision for diminution in value beyond their written down value in the Company's audited accounts for the period ended 31 December 2001 up to an overall aggregate amount of approximately HK\$990,320,000 will be credited to a special capital reserve. So long as there remains outstanding any debt of or claim against the Company which, if the date on which the reduction of capital and cancellation of the share premium account became effective (the "Effective Date") were the date of the commencement of the winding up of the Company would have been admissible to proof in such winding up and the persons entitled to the benefit of such debts or claims shall not have agreed otherwise, such reserve shall not be treated as realised profits and shall, for so long as the Company shall remain a listed company, be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance (Cap. 32) or any statutory re-enactment or modification thereof provided that:
- (i) The Company shall be at liberty to apply the said special capital reserve for the same purposes as a share premium account may be applied;
 - (ii) The overall aggregate limit of special capital reserve of approximately HK\$990,320,000 may be reduced by the amount of any increase, after the Effective Date, in the paid up share capital or the amount of the share premium account of the Company as the result of the issue of shares for new consideration or the capitalisation of distributable profits;
 - (iii) The overall aggregate limit of special capital reserve of approximately HK\$990,320,000 may be reduced upon the realisation, after the Effective Date, of any of the assets identified in the Court Order by the amount of the total provision made in relation to each such asset as at 31 December 2001 less such amount (if any) as is credited to the said special capital reserve as a result of such realisation; and
 - (iv) When the credit amount of the special capital reserve exceeds the overall aggregate limit thereof after any reduction of such overall aggregate limit pursuant to provisos (ii) and/or (iii) above, the Company shall be at liberty to transfer the amount of any such excess to the general reserves of the Company and the same shall become available for distribution.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

23. RESERVES (Continued)

- (b) During the year, the Company recovered part of the provision for diminution in value of investment in a subsidiary and inter-company balances as prescribed in the Order in the amount of HK\$21,703,000. As required by the terms of the Order, this amount has been credited to special capital reserve. Up to 31 December 2003, the Company has credited approximately HK\$21,721,000 (2002: HK\$18,000) to the special capital reserve, thus resulting in a reduction of the maximum amount to be credited to the special capital reserve to approximately HK\$968,599,000 (2002: HK\$990,302,000).
- (c) The Company had no reserves available for distribution to shareholders as at 31 December 2003 (2002: Nil).

24. ACCUMULATED LOSSES

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
At beginning of year	(415,144)	(1,985,325)	(204,700)	(1,804,672)
Reduction of capital	-	1,709,592	-	1,709,592
Transfer as required under the Order on Petition	-	(18)	(21,703)	(18)
Profit (Loss) for the year	96,232	(139,393)	108,548	(109,602)
At balance sheet date	<u>(318,912)</u>	<u>(415,144)</u>	<u>(117,855)</u>	<u>(204,700)</u>

Included in the Group's accumulated losses is an amount of HK\$47,000 (2002: HK\$16,000), being the accumulated profit attributable to an associate.

25. EMPLOYEE SHARE OPTIONS

On 31 May 1997, the Company established a share option scheme, under which it might grant options to executive directors and other employees of the Group to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time excluding for this purpose shares issued on exercise of options. The subscription price was determined by the Company's board of directors, and would not be less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of granting of the options. The options were exercisable at HK\$4.12 per share. The options were granted on 5 October 2000 and expired on 4 October 2003.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

25. EMPLOYEE SHARE OPTIONS *(Continued)*

Movements in employee share options were as follows:

Name of grantee	Number of employee share options outstanding						
	At 1	Lapsed	Exercised	Consolidation	At 31	Lapsed	At 31
	January 2002	during 2002	during 2002	of shares	December 2002	during 2003	December 2003
	'000	'000	'000	'000	'000	'000	'000
Directors							
Chan Peng Kuan	10,000	-	-	9,500	500	500	-
Wan Kwong Kee	10,000	-	-	9,500	500	500	-
Chief executive							
Leung Hon Man	2,000	-	-	1,900	100	100	-
Other employees	10,000	5,000	-	4,750	250	250	-
					(notes b, c)		
	32,000	5,000	-	25,650	1,350	1,350	-

- (a) No options were vested for the year ended 31 December 2002 and 2003.
- (b) An employee resigned during the year and the options granted to her lapsed.
- (c) All the options expired during the year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash (used in) generated from operations

	2003 HK\$'000	2002 HK\$'000
Profit (Loss) from ordinary activities before taxation	96,530	(140,640)
Interest income	(13)	(63)
Interest expense	29,450	24,875
Depreciation	488	1,915
Guarantee income earned	(5,803)	–
Share of results of an associate	(31)	(16)
Gain on disposal of investment properties	(700)	(10,306)
Gain on disposal of property, plant and equipment	(5,672)	(1,526)
Holding (gain) losses on other investments	(41)	3,077
Loss on disposal of other investments	–	566
Impairment loss on interest in an associate	–	7,598
Impairment loss on property, plant and equipment	–	1,994
Provision for amounts due from unconsolidated subsidiaries	91	–
Reversal of losses of subsidiaries on deconsolidation	(15,378)	–
Other income	(98)	–
Impairment loss on investment securities	1	–
Gain arising from waiver of trade payables	(139)	–
Pre-operating expenses incurred by an associate	–	3,476
Net deficit on revaluation of investment properties	–	1,400
Net deficit on revaluation of land and buildings	–	7,438
(Write-back of) Provision for doubtful trade and other receivables	(1,214)	3,872
Provisions	–	83,700
Write-back of provision under corporate guarantees upon release of guarantees by the banks	(108,265)	–
Changes in working capital:		
Trade and other receivables	9,221	16,636
Trade and other payables	(7,886)	156
Due to an associate	(4)	8
Cash (used in) generated from operations	<u>(9,463)</u>	<u>4,160</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of a subsidiary

	2003 HK\$'000	2002 HK\$'000
Net liabilities disposed of:		
Interest in an associate	12,000	–
Other payables	(24,508)	–
	(12,508)	–
Gain on disposal of a subsidiary	–	–
Total consideration	(12,508)	–
Satisfied by:		
Cash consideration	12,000	–
Debt assignment	(24,508)	–
	(12,508)	–

Analysis of inflow of cash and cash equivalents in respect of disposal of subsidiaries:

	2003 HK\$'000	2002 HK\$'000
Cash consideration	12,000	–
Other receivables	(4,000)	–
	8,000	–
Net inflow of cash and cash equivalents	8,000	–

During the year, the Group disposed of a subsidiary, China Bio-Medical Company Limited at its carrying amount. The subsidiary had no activity other than investment in an associate and the disposal of this subsidiary has no significant impact on the results of the Group for the current year. Impairment loss on interest in this associate amounting to HK\$7,598,000 and pre-operating expenses incurred by this associate amounting to HK\$3,476,000 were recognised in the income statement for the year ended 31 December 2002.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

27. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these financial statements, during the year, the Group had the following transactions with ReliaLab.

	2003 HK\$'000	2002 HK\$'000
Rental expenses recharged (note a)	(45)	–
Salaries received for shared staff (note a)	(50)	–
Salaries paid for shared staff (note a)	33	–
Testing fee expenses (note b)	7	3
Laboratory testing service income (note b)	(4)	(1)

(a) These expenses were recharged/shared with reference to the actual expenses incurred.

(b) These transactions were carried out at market prices.

28. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had future minimum lease payments under non-cancellable operating leases payable as follows:

	2003 HK\$'000	2002 HK\$'000
Within one year	174	733
In second to fifth years inclusive	–	51
	<u>174</u>	<u>784</u>

29. CONTINGENT LIABILITIES

As at 31 December 2003, the Group had the following contingent liabilities:

- (a) On 5 February 1999, the Company issued a writ against Core Pacific-Yamaichi International (H.K.) Limited ("Core Pacific") for (i) damages for breaches of a loan facility agreement dated 7 August 1998 of approximately HK\$120,000,000 (the "Facility"); (ii) damages for breaches of fiduciary duties as arranger and joint financial advisor under an agreement dated 6 August 1998; and (iii) an indemnity against all loss in relation to a purported supplemental deed dated 13 November 1998 (the "Supplemental Deed"). On 23 March 1999, Core Pacific issued a writ against the Company for interest of approximately HK\$4,000,000 and overdue interest together with other administrative expenses for approximately HK\$1,000,000 under the Facility and the Supplemental Deed. Of the HK\$5,000,000 claim, the directors consider that the HK\$1,000,000 claim is without merit. The remaining HK\$4,000,000 is still in dispute and has been provided for in the financial statements.
- (b) Pursuant to the terms of disposal of a former subsidiary to SHKP in 1998, the Company undertook to assume all unprovided tax liabilities of the former subsidiary relating to the period prior to the date of disposal. Potential Hong Kong profits tax liabilities of approximately HK\$3,200,000 relating to certain capital profits claim of the former subsidiary for the years of assessment from 1994/95 to 1996/97 have not been provided. SHKP subsequently disposed of this former subsidiary to another party in 2001. As no claim had been made by SHKP before disposal, in the opinion of the directors, the Company is no longer liable for any potential tax liability thereon.
- (c) Pursuant to the settlement agreement made between SHKP, certain of its subsidiaries and BOC on 31 December 2003 as explained in note 20(a), the Company is liable to a reinstatement of all liabilities and obligations under the corporate guarantees given to the bank when the settlement under the settlement agreement is revoked, occurrence of which is not considered probable. The amount of the liabilities under the corporate guarantees as at 31 December 2003 was estimated to be HK\$98,636,000.
- (d) As explained in note 20(b), the Company has entered into two settlement deeds with creditor banks and SHKP for the discharge and release of all the liabilities and obligations of the Company under guarantees given by the Company in respect of banking facilities extended to the subsidiaries of SHKP. The releases are subject to reinstatement in the event that the settlements under these deeds are revoked, occurrence of which is not considered probable. The total amount of liabilities released by the creditor banks was amounted to HK\$37,136,000.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

30. PENSION SCHEME

The group companies operating in Hong Kong have participated in the defined contribution Mandatory Provident Fund in Hong Kong since 1 December 2000. Monthly contributions are made to the scheme based on 5% of the employees' basic salaries with the maximum amount of contribution by each of the Group and the employees limited to HK\$12,000 per annum. The contributions to the mandatory provident fund scheme vest immediately and fully as employees benefits once the contributions become payable by the Group. There is no forfeited contribution when employees leave the mandatory provident fund scheme. During the year ended 31 December 2003, the Group's (employer's) contributions amounted to approximately HK\$131,000 (2002: HK\$184,000).

31. SEGMENT INFORMATION

The analysis of the principal activities of the operations of the Group during the year are as follows:

(a) By business segments

The Group comprises the following main business segments:

	Property investment HK\$'000	Transportation services HK\$'000	Pharmaceutical and bio-pharmaceutical HK\$'000	Others HK\$'000	Consolidated HK\$'000
Year ended 31 December 2002					
Sales revenue from external customers	5,304	647	834	-	6,785
Segment result	11,528	(2,037)	(13,755)	(42)	(4,306)
Unallocated operating income and expenses					(111,475)
Loss from operations					(115,781)
Share of results of an associate					16
Finance costs					(24,875)
Loss from ordinary activities before taxation					(140,640)
Taxation					806
Loss from ordinary activities					(139,834)
Minority interests					441
Loss for the year					(139,393)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

31. SEGMENT INFORMATION *(Continued)*

(a) By business segments *(Continued)*

	Property investment HK\$'000	Transportation services HK\$'000	Pharmaceutical and bio-pharmaceutical HK\$'000	Others HK\$'000	Consolidated HK\$'000
OTHER INFORMATION					
Capital expenditures	-	-	31	86	117
Depreciation	-	828	368	719	1,915
Impairment losses	-	1,591	11,477	-	13,068
Other non-cash expenses other than depreciation	1,400	577	37	97,507	99,521
Other non-cash revenue	(10,306)	(1,561)	-	-	(11,867)

	Property investment HK\$'000	Transportation services HK\$'000	Pharmaceutical and bio-pharmaceutical HK\$'000	Others HK\$'000	Consolidated HK\$'000
Year ended 31 December 2003					
Sales revenue from external customers	306	-	1,049	-	1,355
Segment result	557	6,789	(1,119)	(29)	6,198
Unallocated operating income and expenses					119,751
Profit from operations					125,949
Share of results of an associate					31
Finance costs					(29,450)
Profit from ordinary activities before taxation					96,530
Taxation					6
Profit from ordinary activities					96,536
Minority interests					(304)
Profit attributable to shareholders					96,232

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

31. SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

	Property investment HK\$'000	Transportation services HK\$'000	Pharmaceutical and bio-pharmaceutical HK\$'000	Others HK\$'000	Consolidated HK\$'000
OTHER INFORMATION					
Capital expenditures	-	-	-	5	5
Depreciation	-	118	99	271	488
Impairment losses	-	-	-	1	1
Other non-cash expenses other than depreciation	-	-	3	96	99
Other non-cash revenue	(700)	(1,967)	-	(128,849)	(131,516)

	Property investment HK\$'000	Transportation services HK\$'000	Pharmaceutical and bio-pharmaceutical HK\$'000	Others HK\$'000	Consolidated HK\$'000
As at 31 December 2002					
Assets					
Segment assets	3,626	7,202	12,834	5	23,667
Unallocated assets					33,532
Total assets					57,199
Liabilities					
Segment liabilities	(129,832)	(896)	(1,534)	(22)	(132,284)
Unallocated liabilities					(329,083)
Total liabilities					(461,367)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

31. SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

	Property investment HK\$'000	Transportation services HK\$'000	Pharmaceutical and bio-pharmaceutical HK\$'000	Others HK\$'000	Consolidated HK\$'000
As at 31 December 2003					
Assets					
Segment assets	601	795	721	5	2,122
Unallocated assets					4,734
Total assets					6,856
Liabilities					
Segment liabilities	(135,057)	(54)	(725)	(22)	(135,858)
Unallocated liabilities					(178,630)
Total liabilities					(314,488)

(b) By geographic segments

For the year ended 31 December 2002, other than part of the sales revenue and loss from pharmaceutical and bio-pharmaceutical segment in the PRC which were below 10% of the total sales revenue and loss from ordinary activities respectively, all the revenue and result generated from the business activities were mainly derived from Hong Kong. No analysis of the Group's geographical segment information on sales revenue and result are presented as all sales revenue and result generated from the business activities were derived from Hong Kong for the year ended 31 December 2003.

Other than the investment in an associate which is located in the PRC, all the segment assets of the Group for 2002 are located in Hong Kong.

All the segment assets of the Group for year 2003 are located in Hong Kong.

32. COMPARATIVE FIGURES

Apart from the adoption of revised SSAP 2.112 "Income taxes", certain comparative figures have been reclassified to conform with the current year's presentation as the directors consider that the current year's presentation is more appropriate to reflect the Group's operating results and financial position.