

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 1. GENERAL

The Company is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of apparel trading, securities trading, operation of container depots and provision of logistics management services, provision of freight forwarding and vessel operating common carrier services and strategic investments during the year ended 31 March 2004.

Its associates are principally engaged in the business of organising and provision of academic training programs during the year ended 31 March 2004.

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

In the current year, the Group has changed its accounting policy for deferred taxation, as set out in note 3(n), following its adoption of a revised Statement of Standard Accounting Practice 12 "Income Taxes" ("SSAP 12 (Revised)") issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2003. SSAP 12 (Revised) requires the adoption of a liability method, whereby deferred taxation is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent it is probable that a liability or an asset will crystallise in the foreseeable future. The adoption of SSAP 12 (Revised) represents a change in accounting policy, which has been applied retrospectively so that the presented comparatives have been restated to conform with the changed policy.

The change in accounting policy has resulted in a decrease in the Group's deferred tax liabilities as at 31 March 2004 by approximately HK\$1,333,000 and an increase in the Group's deferred tax liabilities as at 31 March 2003 by approximately HK\$4,637,000. As a consequence, the loss for the years ended 31 March 2004 and 2003 have been increased by approximately HK\$603,000 and reduced by approximately HK\$3,100,000 respectively, and minority interests as at 31 March 2004 and 2003 have been credited by approximately HK\$533,000 and debited by approximately HK\$1,854,000 respectively. The Group's reserves as at 1 April 2003 and 2002 have been decreased by approximately HK\$2,783,000 and HK\$6,835,000 respectively.

### 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, as modified for the revaluation of certain properties.

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(b) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year, unless the subsidiaries are acquired and held exclusively with a view to be disposed of in the near future or operate under severe long-term restrictions which significantly impair their ability to transfer funds to the Company.

The results of subsidiaries acquired or disposed of during the year are consolidated from and up to their effective dates of acquisition and disposal respectively. Minority interests, represent the interests of outside shareholders in the net assets and operating results of subsidiaries, are shown separately in the balance sheet and income statement, respectively.

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

**(c) Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisition after 1 April 2001 is recognised as an asset and amortised on a straight line basis over its estimated useful life of 5 to 10 years. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill arising on acquisition prior to 1 April 2001 was written off against reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill or goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

**(d) Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(d) Negative goodwill (Continued)**

Negative goodwill arising on acquisition after 1 April 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful lives of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately. Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Negative goodwill arising on acquisition prior to 1 April 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

**(e) Revenue recognition**

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

Sales of investments in securities are recognised when the sales contracts become unconditional.

Revenue from the rendering of freight and vessel operating common carrier services, container depot services and logistics management services is recognised when the risk of transaction is substantially transferred, which generally coincides with the date of departure for outward freight and the date of arrival for inward freight, the date of service rendered of vessel operating common carrier services and container depot services and logistics management services.

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

Rental/royalty income is recognised on a time proportion basis in accordance with the terms and conditions of the tenancy/royalty agreements.

Dividend income is recognised when the shareholders' right to receive payment has been established.

**(f) Property, plant and equipment**

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Property, plant and equipment (Continued)

Any surplus arising on revaluation of leasehold properties is credited to the other property revaluation reserve, and any decrease in net carrying amount arising on revaluation of leasehold properties is charged to the income statement to the extent that it exceeds the surplus, if any, held in the other property revaluation reserve relating to previous revaluations. On disposal of a revalued asset, the relevant portion of the other property revaluation reserve realised in respect of previous valuations is transferred to accumulated profits/(losses) as a movement in reserves.

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

Leasehold land	Over the remaining unexpired terms of leases
Buildings	2% – 2.5%
Leasehold improvements	10% – 50% or over the remaining unexpired terms of the leases whichever is shorter
Furniture, fixtures and equipment	12 <sup>1</sup> / <sub>2</sub> % – 33 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	16 <sup>2</sup> / <sub>3</sub> % – 20%
Tractors, trailers and chassis	8 <sup>1</sup> / <sub>3</sub> %
Plant and machinery	6 <sup>2</sup> / <sub>3</sub> % – 20%

#### (g) Interests in subsidiaries

A subsidiary is a company that the Company controls which is normally evidenced when the Company has the power, directly or indirectly, to govern its financial and operating policies so as to benefit from its activities.

Interests in subsidiaries are included in the Company's balance sheet at cost less any impairment losses.

#### (h) Interests in associates

An associate is a company, not being a subsidiary, in which the Group has significance influence, but not control, over its management including participation in the financial and operating policy decisions.

The income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill/(negative goodwill) arising on acquisition, less any impairment losses.

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(i) Other investments**

Other investments are carried at fair value. As at each balance sheet date the net unrealised gains and losses arising from the changes in fair value of other investments are recognised in the income statement. Profits or losses on disposal of other investments representing the difference between the net sales proceeds and the carrying amounts and are recognised in the income statement as they arise.

**(j) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

**(k) Impairment of assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

**(l) Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(m) Employee benefits***(i) Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

*(ii) Retirement benefits costs*

Payments to defined contribution retirement benefits schemes are charged as expenses as they fall due.

**(n) Taxation**

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on interests in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

**(o) Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease terms.

**(p) Foreign currencies**

Foreign currency translations are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the balance sheets of overseas subsidiaries and associates are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date, whereas the income statements are translated at the average rate for the year. The resulting translation differences are included in the translation reserve.

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(q) Cash and cash equivalents**

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand, demand deposits and short term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, and have a short maturity of generally within three months when acquired. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

**(r) Share option schemes**

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants for their contribution and support to the Group. The financial impact of share options granted under the share option schemes is not recorded in the Company's and the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which have lapsed, are deleted from the register of outstanding options and have no impact on the income statement or balance sheet.

**(s) Segment reporting**

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

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. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (s) Segment reporting (Continued)

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

Unallocated items mainly comprise corporate and financial assets, borrowings, corporate and financing expenses, and corporate revenue.

### 4. TURNOVER

Turnover represents the amounts received and receivable for apparel trading, sales of other investments, container depot services and logistics management services, and freight forwarding and vessel operating common carrier services rendered by the Group during the year. Analysis of the Group's turnover is as follows:

	2004 HK\$'000	2003 HK\$'000 (As restated)
Continuing operations		
Apparel trading	76,008	–
Sales of other investments	1,053	–
	<u>77,061</u>	<u>–</u>
Discontinuing operations ( <i>Note 5</i> )		
Provision of container depot services and logistics management services	23,138	17,932
Provision of freight forwarding and vessel operating common carrier services	23,323	25,172
	<u>46,461</u>	<u>43,104</u>
	<u>123,522</u>	<u>43,104</u>

Comparative figures have been restated to segregate continuing and discontinuing turnover to conform with the current year's presentation.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 5. DISCONTINUING OPERATIONS

- (a) On 24 March 2004, the Company announced that the Group entered into a sale and purchase agreement on 22 March 2004 to dispose of its entire 60% equity interest in United Asia Terminal Holdings Limited ("United Asia") and the amount due from United Asia to the Group at a total consideration of HK\$33,000,000. United Asia and its subsidiaries ("United Asia Group") were principally engaged in the provision of container depots and logistics management services. The turnover, other revenue, results, cash flows, total assets and total liabilities of the container depots and logistics management services operations as of and for the years ended 31 March 2004 and 2003 are as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Turnover	<b>23,138</b>	17,932
Direct operating costs	<b>(16,542)</b>	(15,226)
Gross profit	<b>6,596</b>	2,706
Other revenue	<b>9</b>	–
Operating expenses	<b>(5,632)</b>	(7,583)
Profit/(loss) from ordinary activities before taxation	<b>973</b>	(4,877)
Taxation	<b>(603)</b>	610
Profit/(loss) before minority interests	<b>370</b>	(4,267)
Minority interests	<b>(42)</b>	93
Net profit/(loss) for the year	<b>328</b>	(4,174)
Net cash used in operating activities	<b>(642)</b>	(1,049)
Net cash used in investing activities	<b>(436)</b>	(18)
Net cash generated from financing activities	<b>1,081</b>	–
Effect on foreign exchange rate changes	<b>(9)</b>	(6)
Total net cash outflow	<b>(6)</b>	(1,073)
Total assets	<b>68,448</b>	77,741
Total liabilities, including amount due to the Group of approximately HK\$50,788,000 (2003: HK\$54,498,000)	<b>(93,285)</b>	(97,530)
Minority interests	<b>5,683</b>	3,544
Net liabilities	<b>(19,154)</b>	(16,245)

The aforesaid disposal was completed in April 2004. The gain on disposal of United Asia Group of approximately HK\$1,314,000 will be reflected in the annual financial statements of the Group for the year ending 31 March 2005. No income tax expense or credit will arise from the disposal.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 5. DISCONTINUING OPERATIONS (Continued)

- (b) On 30 March 2004, the Group entered into a sale and purchase agreement to dispose of its entire 100% equity interest in Jungjin Logistics Development Limited ("Jungjin Logistics") and the amount due from Jungjin Logistics to the Group at a total consideration of HK\$3,155,000. Jungjin Logistics and its subsidiaries ("Jungjin Logistics Group") were principally engaged in the provision of freight forwarding and vessel operating common carrier services. The turnover, other revenue, results, cash flows, total assets and total liabilities of the freight forwarding and vessel operating common carrier services operations as of and for the years ended 31 March 2004 and 2003 are as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Turnover	<b>23,323</b>	25,172
Direct operating costs	<b>(19,402)</b>	(20,737)
Gross profit	<b>3,921</b>	4,435
Other revenue	<b>13</b>	1,814
Operating expenses	<b>(4,119)</b>	(4,558)
(Loss)/profit from operations	<b>(185)</b>	1,691
Finance costs	<b>(2)</b>	–
Share of results of an associate	<b>–</b>	(10)
Interest in an associate written off	<b>(22)</b>	–
(Loss)/profit from ordinary activities before taxation	<b>(209)</b>	1,681
Taxation	<b>–</b>	–
Net (loss)/profit for the year	<b>(209)</b>	1,681
Net cash generated from/(used in) operating activities	<b>638</b>	(308)
Net cash used in investing activities	<b>(58)</b>	(234)
Total net cash inflow/(outflow)	<b>580</b>	(542)
Total assets	<b>7,796</b>	8,158
Total liabilities, including amount due to the Group of approximately HK\$26,151,000 (2003: HK\$25,417,000)	<b>(30,194)</b>	(30,331)
Net liabilities	<b>(22,398)</b>	(22,173)

The aforesaid disposal was completed in April 2004. The loss on disposal of Jungjin Logistics Group of approximately HK\$370,000 will be reflected in the annual financial statements of the Group for the year ending 31 March 2005. No income tax expense or credit will arise from the disposal.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business segments

The Group were principally engaged in the business of apparel trading, securities trading, operation of container depots and provision of logistics management services, provision of freight forwarding and vessel operating common carrier services, and strategic investments during the year. In September 2003, the Group acquired 100% of the share capital in Hamlet Profits Limited ("Hamlet Profits"), which is incorporated in the British Virgin Islands, with its subsidiaries principally engaged in apparel trading. In March 2004, the Group entered into two sale and purchase agreements to dispose of United Asia Group and Jungjin Logistics Group which were principally engaged in operation of container depots and logistics management services, and freight forwarding and vessel operating common carrier services respectively (Note 5). Accordingly, these two operations have been discontinuing since March 2004.

In view of the above acquisition and disposals, the Group has reorganised its operational structure and has classified its operations into the following continuing business segments:

- (a) apparel trading;
- (b) securities trading; and
- (c) strategic investments and others.

Comparative figures have been restated to segregate continuing and discontinuing business segment information to conform with the current year's presentation.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

An analysis of the Group's turnover and contribution to loss from operations for the years ended 31 March 2004 and 2003, and certain assets and liabilities information regarding business segments as at 31 March 2004 and 2003 are as follows:

	Continuing operations			Discontinuing operations		Consolidated HK\$'000
	Apparel trading HK\$'000	Securities trading HK\$'000	Strategic investments and others HK\$'000	Operation of container depots and logistics management services HK\$'000	Freight forwarding and vessel operating common carrier services HK\$'000	
<b>For the year ended 31 March 2004</b>						
Turnover	<u>76,008</u>	<u>1,053</u>	<u>-</u>	<u>23,138</u>	<u>23,323</u>	<u>123,522</u>
Segment results	<u>(14,253)</u>	<u>74</u>	<u>(62)</u>	<u>964</u>	<u>(183)</u>	<u>(13,460)</u>
Interest income						784
Group overheads						<u>(5,093)</u>
Loss from operations						(17,769)
Finance costs						(4,878)
Gain on disposal of a subsidiary	-	-	488	-	-	488
Amortisation of goodwill arising on acquisition of subsidiaries	(941)	-	-	-	-	(941)
Amortisation of goodwill arising on acquisition of associates	-	-	(2,323)	-	-	(2,323)
Impairment losses recognised in relation to associates	-	-	(12,413)	-	-	(12,413)
Provision for loan receivables	-	-	(14)	-	-	(14)
Interest in an associate written off	-	-	-	-	(22)	(22)
Share of results of associates	-	-	135	-	-	135
Reserve realised upon expiry of warrants						<u>33,392</u>
Loss from ordinary activities before taxation						(4,345)
Taxation						<u>(656)</u>
Loss before minority interests						(5,001)
Minority interests						<u>(42)</u>
Net loss for the year						<u>(5,043)</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

	Continuing operations			Discontinuing operations		Consolidated HK\$'000
	Apparel trading HK\$'000	Securities trading HK\$'000	Strategic investments and others HK\$'000	Operation of container depots and logistics management services HK\$'000	Freight forwarding and vessel operating common carrier services HK\$'000	
<b>As at 31 March 2004</b>						
<b>ASSETS</b>						
Segment assets	86,404	–	8,913	68,448	7,796	171,561
Interests in associates	–	–	1,409	–	–	1,409
Unallocated corporate assets						4,404
Consolidated total assets						<u>177,374</u>
<b>LIABILITIES</b>						
Segment liabilities	9,521	–	7,529	6,143	4,002	27,195
Unallocated corporate liabilities						96,391
Consolidated total liabilities						<u>123,586</u>
<b>OTHER INFORMATION</b>						
Capital additions	1,319	–	32	446	62	1,859
Amortisation of goodwill arising on acquisition of subsidiaries	941	–	–	–	–	941
Amortisation of goodwill arising on acquisition of associates	–	–	2,323	–	–	2,323
Depreciation	757	–	87	3,469	231	4,544
Impairment losses recognised in relation to associates	–	–	12,413	–	–	12,413

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

	<u>Continuing operations</u>		<u>Discontinuing operations</u>		Consolidated HK\$'000
	Securities trading HK\$'000	Strategic investments and others HK\$'000	Operation of container depots and logistics management services HK\$'000	Freight forwarding and vessel operating common carrier services HK\$'000	
<b>For the year ended</b>					
<b>31 March 2003 (As restated)</b>					
Turnover	<u>–</u>	<u>–</u>	<u>17,932</u>	<u>25,172</u>	<u>43,104</u>
Segment results	<u>–</u>	<u>(4)</u>	<u>(4,877)</u>	<u>1,688</u>	(3,193)
Interest income					36
Group overheads					(23,478)
Corporate finance overheads					<u>(5,324)</u>
Loss from operations					(31,959)
Loss on disposal of partial interest in a subsidiary	–	–	(10,237)	–	(10,237)
Amortisation of goodwill arising on acquisition of associates	–	(19,516)	–	–	(19,516)
Impairment losses recognised in relation to associates	–	(190,430)	–	–	(190,430)
Provision for loan receivables	–	(13,502)	–	–	(13,502)
Provision for deposits paid for potential investments	–	(27,170)	–	–	(27,170)
Share of results of associates	–	(2,999)	–	(10)	<u>(3,009)</u>
Loss from ordinary activities before taxation					(295,823)
Taxation					<u>610</u>
Loss before minority interests					(295,213)
Minority interests					<u>93</u>
Net loss for the year					<u>(295,120)</u>

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)****Business segments (Continued)**

	<u>Continuing operations</u>		<u>Discontinuing operations</u>		
		Strategic		Freight	
	Securities	investments	Operation	forwarding	
	trading	and others	of container	and vessel	
			depots and	operating	
			logistics	common	
			management	carrier	
			services	services	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 31 March 2003 (As restated)</b>					
<b>ASSETS</b>					
Segment assets	–	400	77,741	6,175	84,316
Interests in associates	–	–	–	558	558
Unallocated corporate assets					3,585
					<u>88,459</u>
Consolidated total assets					<u>88,459</u>
<b>LIABILITIES</b>					
Segment liabilities	–	–	6,465	4,873	11,338
Unallocated corporate liabilities					38,780
					<u>50,118</u>
Consolidated total liabilities					<u>50,118</u>
<b>OTHER INFORMATION</b>					
Capital additions	–	69	18	244	331
Amortisation of goodwill arising on acquisition of associates	–	19,516	–	–	19,516
Depreciation	–	1,154	3,799	320	5,273
Prepaid rentals written back	–	–	–	(1,425)	(1,425)
Impairment losses recognised in relation to associates	–	190,430	–	–	190,430
	<u>–</u>	<u>190,430</u>	<u>–</u>	<u>–</u>	<u>190,430</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Geographical segments

The Group's operations are principally located in the People's Republic of China (the "PRC") and Hong Kong.

An analysis of the Group's turnover and contribution to loss from operations by geographical market, irrespective of the origin of the goods/services is as follows:

	Turnover by geographical market		Contribution to loss from operations	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The PRC	70,075	43,104	(7,592)	(3,189)
Hong Kong	53,447	–	(5,868)	(4)
	<u>123,522</u>	<u>43,104</u>	<u>(13,460)</u>	<u>(3,193)</u>
Interest income			784	36
Group overheads			(5,093)	(23,478)
Corporate finance overheads			–	(5,324)
Loss from operations			<u>(17,769)</u>	<u>(31,959)</u>

An analysis of the carrying amount of segment assets and additions to property, plant and equipment, by geographical areas are as follows:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The PRC	88,934	78,299	508	18
Hong Kong	88,440	10,160	1,351	313
	<u>177,374</u>	<u>88,459</u>	<u>1,859</u>	<u>331</u>



**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**7. OTHER REVENUE**

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Other revenue includes the following:		
Interest income	784	36
Rental income	1,016	–
Royalty income	1,035	–
Waiver of amounts due to other/trade creditors	673	1,751
Write back of amounts due to other creditors	<u>616</u>	<u>–</u>

**8. OTHER OPERATING (EXPENSES)/INCOME, NET**

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Other operating (expenses)/income, net comprise:		
Prepaid rentals written back	–	1,425
Provision for bad and doubtful debts, net	<u>(9,708)</u>	<u>(952)</u>
	<u>(9,708)</u>	<u>473</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 9. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging/(crediting):

	2004 HK\$'000	2003 HK\$'000
Auditors' remuneration		
– current year	702	450
– overprovision for prior years	(292)	–
	<u>410</u>	<u>450</u>
Cost of inventories sold	41,245	–
Depreciation	4,544	5,273
Loss on disposal of property, plant and equipment	1,201	1,836
Operating lease rentals in respect of		
– land and buildings	7,552	3,169
– vessels	3,313	2,335
Outgoings in respect of rental income	325	–
Write down of inventories to net realisable value	4,601	–
Royalty paid	2,569	–
Staff salaries and other benefits	15,079	17,279
Staff retirement benefits scheme contributions, net of forfeited contributions	566	261
Provision for long service payments	959	–
Total staff costs including directors' emoluments	<u>16,604</u>	<u>17,540</u>
Gain on disposal of other investments – net	<u>(84)</u>	<u>–</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 10. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The emoluments of the directors and the five highest paid individuals are summarised as follows:

	2004 HK\$'000	2003 HK\$'000
<b>Directors' emoluments</b>		
Fees:		
Executive directors	102	250
Non-executive director	51	–
Independent non-executive directors	111	85
	<u>264</u>	<u>335</u>
Other emoluments to executive directors:		
Salaries and other benefits	305	3,789
Performance related incentive payments	–	26
Retirement benefits scheme contributions	–	46
Compensation for loss of office	–	2,385
	<u>305</u>	<u>6,246</u>
	<u>569</u>	<u>6,581</u>

For the year ended 31 March 2004, there was no arrangement under which a director waived or agreed to waive any emoluments. For the year ended 31 March 2003, except for an executive director who waived his director's fee of HK\$100,000, there was no arrangement under which a director waived or agreed to waive any emoluments.

Emoluments of the directors were within the following bands:

	Number of directors	
	2004	2003
Nil – HK\$1,000,000	12	6
HK\$1,000,001 – HK\$1,500,000	–	2
HK\$3,000,001 – HK\$3,500,000	–	1
	<u>12</u>	<u>9</u>

In addition to the above emoluments, share options were granted to a former executive director in respect of his service to the Group, further details of which are set out in Note 29 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 10. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(Continued)

#### Five highest paid individuals' emoluments

The five highest paid individuals in the Group in the current year include one (2003: four) director(s) of the Company and details of his/their emoluments are set out above. The emoluments of the remaining four (2003: one) highest paid individual(s) are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	2,491	600
Performance related incentive payments	66	50
Retirement benefits scheme contributions	44	18
	<u>2,601</u>	<u>668</u>

Emoluments of the remaining four (2003: one) highest paid individual(s) were within the following bands:

	Number of individuals	
	2004	2003
Nil — HK\$1,000,000	3	1
HK\$1,000,001 — HK\$1,500,000	1	—
	<u>4</u>	<u>1</u>

During the year ended 31 March 2004, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

### 11. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on short term loans		
Wholly repayable within five years	4,878	—

### 12. IMPAIRMENT LOSSES RECOGNISED IN RELATION TO ASSOCIATES

	2004 HK\$'000	2003 HK\$'000
Impairment losses recognised in relation to the goodwill arising on acquisition of associates	12,413	169,515
Impairment losses recognised in relation to amounts due from associates	—	20,915
	<u>12,413</u>	<u>190,430</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 13. TAXATION

- (a) The taxation charged/(credited) to the income statement represents:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000 (As restated)
Hong Kong Profits Tax		
Underprovision in prior year	<b>53</b>	–
Deferred taxation ( <i>Note 25</i> )	<b>603</b>	(610)
	<u>          </u>	<u>          </u>
	<b>656</b>	(610)
	<u>          </u>	<u>          </u>

No provision for Hong Kong Profits Tax has been made as the Group has sufficient tax losses brought forward to set off against current year's assessable profit. In 2003, the Hong Kong government enacted a change in the profits tax rate from 16% to 17.5% for the year of assessment 2003/2004.

No provision for income tax in respect of operations in the PRC has been made as the Group has sufficient tax losses brought forward to set off against current year's assessable profit.

- (b) The taxation on the Group's loss from ordinary activities before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Loss from ordinary activities before taxation	<b>(4,345)</b>	(295,823)
	<u>          </u>	<u>          </u>
Calculated at Hong Kong Profits Tax rate of 17.5% (2003: 16%)	<b>(760)</b>	(47,332)
Tax effect of different tax rates in other jurisdictions	<b>69</b>	(518)
Tax effect of non-taxable income	<b>(6,479)</b>	(509)
Tax effect of non-deductible expenses	<b>7,436</b>	45,943
Tax effect of deferred tax asset not recognised	<b>1</b>	159
Tax losses not recognised	<b>624</b>	1,647
Tax effect of recognition of tax losses previously not recognised	<b>(288)</b>	–
Underprovision in prior year	<b>53</b>	–
	<u>          </u>	<u>          </u>
Taxation	<b>656</b>	(610)
	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**14. NET LOSS FOR THE YEAR**

Of the consolidated loss of approximately HK\$5,043,000 (2003: HK\$295,120,000 (restated)), a profit of approximately HK\$25,959,000 (2003: loss of approximately HK\$298,631,000) has been dealt with in the financial statements of the Company.

**15. LOSS PER SHARE**

The calculation of basic loss per share is based on the Group's net loss for the year of approximately HK\$5,043,000 (2003: HK\$295,120,000 (restated)) and on the weighted average number of approximately 275,230,000 ordinary shares (2003: 152,154,000 ordinary shares (restated)) in issue during the year after adjusting the effects of the Share Consolidation approved on 9 July 2003.

Diluted loss per share for the years ended 31 March 2004 and 2003 have not been presented as the outstanding share options and warrants during the years had an anti-dilutive effect on the basic loss per share for both years.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK\$'000	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Motor vehicles, tractors, trailers and chassis HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
<b>THE GROUP</b>					
<b>Cost or valuation</b>					
As at 1 April 2003	59,000	4,875	12,034	17,120	93,029
Exchange realignment	(109)	(8)	(35)	(49)	(201)
Additions	–	1,859	–	–	1,859
Acquisition of subsidiaries	–	1,367	–	–	1,367
Disposals	–	(2,003)	(204)	–	(2,207)
Deficit arising on revaluation	(7,891)	–	–	–	(7,891)
<b>As at 31 March 2004</b>	<b>51,000</b>	<b>6,090</b>	<b>11,795</b>	<b>17,071</b>	<b>85,956</b>
Comprising:					
At cost	–	6,090	11,795	17,071	34,956
At valuation	51,000	–	–	–	51,000
<b>As at 31 March 2004</b>	<b>51,000</b>	<b>6,090</b>	<b>11,795</b>	<b>17,071</b>	<b>85,956</b>
<b>Accumulated depreciation</b>					
As at 1 April 2003	–	2,763	8,107	7,734	18,604
Exchange realignment	(16)	(3)	(21)	(20)	(60)
Acquisition of subsidiaries	–	227	–	–	227
Charge for the year	1,310	1,285	911	1,038	4,544
Disposals	–	(802)	(204)	–	(1,006)
Eliminated on revaluation	(687)	–	–	–	(687)
<b>As at 31 March 2004</b>	<b>607</b>	<b>3,470</b>	<b>8,793</b>	<b>8,752</b>	<b>21,622</b>
<b>Net book value</b>					
<b>As at 31 March 2004</b>	<b>50,393</b>	<b>2,620</b>	<b>3,002</b>	<b>8,319</b>	<b>64,334</b>
As at 31 March 2003	59,000	2,112	3,927	9,386	74,425

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**16. PROPERTY, PLANT AND EQUIPMENT (Continued)**

	<b>Furniture, fixtures and equipment</b> HK\$'000
<b>THE COMPANY</b>	
<b>Cost</b>	
As at 1 April 2003	1,132
Disposals	(1,132)
	<hr/>
<b>As at 31 March 2004</b>	<hr/> –
<b>Accumulated depreciation</b>	
As at 1 April 2003	588
Charge for the year	30
Disposals	(618)
	<hr/>
<b>As at 31 March 2004</b>	<hr/> –
<b>Net book value</b>	
<b>As at March 2004</b>	<hr/> <hr/> –
As at 31 March 2003	<hr/> <hr/> 544

The Group's leasehold properties were held outside Hong Kong under leases of between 10 to 50 years.

The leasehold properties were revalued as at 30 September 2003 by the directors of the Company at approximately HK\$51,000,000. The directors considered that their carrying amounts were not materially different from their fair value as at 31 March 2004.

The carrying amount of the leasehold properties of the Group would have been approximately HK\$30,251,000 (2003: HK\$31,155,000) had they been stated at cost less accumulated depreciation.



**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**17. GOODWILL**

	<b>THE GROUP</b> HK\$'000
<b>Cost</b>	
As at 1 April 2003	–
Arising on acquisition of subsidiaries ( <i>Note 31(a)</i> )	9,217
	<u>9,217</u>
<b>As at 31 March 2004</b>	<b>9,217</b>
<b>Aggregate amortisation</b>	
As at 1 April 2003	–
Amount amortised for the year	941
	<u>941</u>
<b>As at 31 March 2004</b>	<b>941</b>
<b>Net book value</b>	
<b>As at 31 March 2004</b>	<b>8,276</b>
As at 31 March 2003	<u>–</u>

**18. INTERESTS IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>2004</b> HK\$'000	2003 HK\$'000
Unlisted shares, at cost	<b>833,671</b>	129,498
Amounts due from subsidiaries	<b>77,309</b>	721,383
	<u>910,980</u>	850,881
Less: Impairment losses	<b>(877,074)</b>	(844,850)
	<u><b>33,906</b></u>	<u>6,031</u>

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, no demand for repayment will be made by the Company in the next twelve months. Accordingly, the amounts are shown as non-current assets.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 18. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries of the Company as at 31 March 2004 are as follows:

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
<b>Shares held directly:</b>				
Oriental Union Strategies Limited ("OU Strategies")	British Virgin Islands/ Hong Kong	US\$300,000	100%	Investment holding
Value Place Investments Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding and securities trading
<b>Shares held indirectly:</b>				
Acute Investments Limited*	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Capital Asia Properties Limited*	Hong Kong	HK\$2	100%	Investment holding
Capital Asia Property Management (China) Limited*	Hong Kong	HK\$10,000	100%	Investment holding
Century Lead Limited*	Hong Kong	HK\$2	100%	Apparel trading
Crossborder Assets Limited	British Virgin Islands/ Hong Kong	US\$2	100%	Investment holding
Full Ahead Limited* ("Full Ahead")	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Gainwell Corporation Limited*	Hong Kong	HK\$2	100%	Apparel trading
Gold Stock Resources Limited*	Samoa/ the PRC	US\$1	100%	Apparel trading

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
<b>Shares held indirectly:</b>				
Gold Venture Corporation Limited	Hong Kong	HK\$2	100%	Management services
Goldgain Services Limited*	Samoa/ the PRC	US\$1	100%	Apparel trading
Hamlet Profits*	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Jasmine Management Limited*	Samoa/ the PRC	US\$1	100%	Apparel trading
Jungjin Logistics (Note (e))	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Jungjin Shipping Company Limited ("Jungjin Shipping") (Note (e))	Hong Kong	Ordinary HK\$1,000 Deferred HK\$2 (Note (a))	100%	Vessel operations shipping/freight forwarding agency
Ocean Blue Developments Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Oriental Union Freight Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Oriental Union Information & Technology Ltd.	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
<b>Shares held indirectly:</b>				
Oriental Union Techn. Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Planwell Limited	Hong Kong	HK\$2	100%	Money lending
Piston Investment Limited	Hong Kong	HK\$2	100%	Investment holding
Reward Well Limited*	British Virgin Islands/the PRC	US\$1	100%	Apparel trading
Shanghai Fortune Limited ("Shanghai Fortune") (Note (d))	Hong Kong	HK\$2	60%	Investment holding
Shanghai United Asia Container Services Co., Ltd. ("Shanghai United") (Note (d))	the PRC	US\$9,000,000	(Note (b))	Operation of container depots and logistics management services
Sinostate Enterprises (China) Limited*	Hong Kong	HK\$2	100%	Investment holding
Sinostate Properties Limited*	Hong Kong	HK\$2	100%	Investment holding
Super Target Limited*	Hong Kong	HK\$2	100%	Apparel trading
Well Charter Limited*	Hong Kong	HK\$10,000,000	100%	Investment holding
United Asia (Note (d))	British Virgin Islands/ Hong Kong	US\$100	60%	Investment holding

\* Not audited by RSM Nelson Wheeler.

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**18. INTERESTS IN SUBSIDIARIES (Continued)**

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

*Note:*

- (a) The deferred shares, which are held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective company or to participate in any distribution in winding up.
- (b) The subsidiary, Shanghai United, is a co-operative joint venture between Shanghai Fortune and two PRC parties whose respective rights and obligations with respect to the said joint venture are specified in a co-operative joint venture contract. Under the co-operative joint venture contract, the registered capital of the joint venture is US\$9,000,000 of which Shanghai Fortune contributed US\$8,000,000 in cash and the balance of the capital of US\$1,000,000 was contributed by one of the PRC parties in the form of the right to use a piece of land in the PRC during the term of the joint venture. Under the terms of the co-operative joint venture contract, Shanghai Fortune has the sole right to manage and operate the joint venture and, after payment of fixed amounts to the PRC parties, is entitled to all profits and is liable for all losses of the joint venture. Following the winding up of one of the PRC parties during the year ended 31 March 2004, Shanghai Fortune is not required to pay the agreed amount to this PRC party.
- (c) During the year ended 31 March 2004, the Group disposed of its entire 100% interest in a subsidiary, Electronic Dragon Technology Limited ("Electronic Dragon") for a consideration of HK\$500,000. The main assets of Electronic Dragon are interests in associates, Independent Islands Limited ("Independent Islands") and Beijing Worthope Sathen Network Technology Co. Ltd. ("Beijing Worthope") which were principally engaged in the provision of technical support services for continuing education services and professional training and other related services to medical practitioners in the PRC (Note 31(b)).
- (d) Subsequent to the balance sheet date, the Group disposed of its entire 60% equity interest in United Asia. United Asia is the holding company of Shanghai Fortune and Shanghai United (Note 5(a)).
- (e) Subsequent to the balance sheet date, the Group disposed of its entire 100% equity interest in Jungjin Logistics. Jungjin Logistics is the holding company of Jungjin Shipping (Note 5(b)).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 19. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES AND AMOUNTS DUE TO UNCONSOLIDATED SUBSIDIARIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Interests stated at carrying value	12,201	–
Less: Impairment losses	(4,676)	–
	<u>7,525</u>	<u>–</u>
Amounts due to unconsolidated subsidiaries	<u>(7,525)</u>	<u>–</u>

Particulars of the unconsolidated subsidiaries held by the Group as at 31 March 2004 are as follows:

Name	Place of incorporation or registration/ operations	Percentage of equity attributable to the Group	Principal activities
Beijing Capital Asia International Bonded Affairs Development Co., Ltd. ("Bonded Affairs")	the PRC	70%	General trading
Shanghai Fuda Jewellery Company Limited ("Fuda")	the PRC	57%	Jewellery subcontracting

Both Bonded Affairs and Fuda were acquired through the acquisition of Hamlet Profits on 26 September 2003. The Group has been unable to exercise its rights as a major shareholder of both Bonded Affairs and Fuda since the date of acquisition. Accordingly, the Group has been unable either to control the assets and operations or to exercise significant influence over the financial and operating policy decisions of both Bonded Affairs and Fuda. In view of the above, the financial statements of Bonded Affairs and Fuda have not been consolidated. Based on the latest information available to the directors, the respective principal activities of Bonded Affairs and Fuda are general trading and jewellery subcontracting.

The directors, to their best knowledge, are satisfied that the Group has no material obligations or commitments either in respect of Bonded Affairs or Fuda that require either adjustments to or disclosure in these financial statements.

The Group has not been able to obtain the financial information since the date of acquisition of Bonded Affairs and Fuda.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 20. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Share of net liabilities	(776)	(4,132)	–	–
Goodwill	1,635	–	–	–
Amounts due from associates	35,230	37,422	3,740	8,932
	<b>36,089</b>	33,290	<b>3,740</b>	8,932
Less: Impairment losses	(34,680)	(32,732)	(3,740)	(8,932)
	<b>1,409</b>	558	–	–

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, no demand for repayment will be made by the Group in the next twelve months. Accordingly, the amounts are shown as non-current assets.

Particulars of the principal associate (not audited by RSM Nelson Wheeler) held by the Group as at 31 March 2004 are as follows:

Name	Place of incorporation or registration/ operations	Business structure	Issued capital	Percentage of equity attributable to the Group	Principal activities
Global Institute, Inc. ("Global Institute") (Note (a))	British Virgin Islands/ Hong Kong	Corporate	US\$50,000	49%	Investment holding

The above table lists the associate of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Note:

- During the year ended 31 March 2004, the Group acquired 49% equity interest in Global Institute at a consideration of HK\$16,000,000. Global Institute is an investment holding company, which together with a wholly-owned subsidiary is engaged in the business of co-ordinating academic training programs.
- During the year ended 31 March 2004, the Group disposed of its entire 45% interest in Independent Islands and 36.29% interest in Beijing Worthope upon the disposal of a wholly-owned subsidiary, Electronic Dragon.
- Pursuant to an agreement dated 5 December 2003 in relation to the cessation of business of an associate, Zhaoqing Wing Jin Transportation Co., Ltd. ("Zhaoqing Wing Jin"), entered between the Group and the joint venture partner of Zhaoqing Wing Jin, the interest in the associate of approximately HK\$22,000 was written off.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 20. INTERESTS IN ASSOCIATES (Continued)

The movement of goodwill arising on acquisition of associates is analysed as follows:

	<b>THE GROUP</b> HK\$'000
<b>Cost</b>	
As at 1 April 2003	195,155
Arising on acquisition of associates	16,371
Eliminated on disposal	(157,801)
	<u>53,725</u>
<b>At at 31 March 2004</b>	
<b>Aggregate amortisation and impairment losses</b>	
As at 1 April 2003	195,155
Amount amortised for the year	2,323
Impairment loss for the year ( <i>Note</i> )	12,413
Eliminated on disposal	(157,801)
	<u>52,090</u>
<b>As at 31 March 2004</b>	
<b>Net book value</b>	
<b>As at 31 March 2004</b>	<u><u>1,635</u></u>
As at 31 March 2003	<u><u>–</u></u>

*Note:*

Due to the control measures for the overheated PRC economy have been lingering around for sometime, the partnering institutions of Global Institute in the PRC have slowed down their development activities and undertakings. Global Institute's plan for expansion of the academic training programs in the PRC has been delayed. The carrying value of the goodwill is revalued based on the estimated future cash flows, by reference to the value in use of the operations, with a discount rate of 5% per annum. An impairment loss of approximately HK\$12,413,000 of the goodwill on acquisition of Global Institute is provided for the year ended 31 March 2004 accordingly.



**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**20. INTERESTS IN ASSOCIATES (Continued)**

Summarised financial information of the Group's significant associate is as follows:

**Global Institute**

Audited consolidated balance sheet information as at 31 March 2004

	<b>HK\$'000</b>
Non-current assets	29
Current assets	308
Current liabilities	(798)
Non-current liabilities	(1)
	<u>          </u>
Net liabilities	<u><u>(462)</u></u>

Audited consolidated income statement information  
for the year ended 31 March 2004

Turnover	<u><u>1,157</u></u>
Loss from ordinary activities before taxation	(24)
Taxation	<u>1</u>
Net loss for the year	<u><u>(23)</u></u>

**21. INVENTORIES**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Merchandise goods for sales	<u><u>47,971</u></u>	<u><u>–</u></u>

Inventories of approximately HK\$9,220,000 (2003: HK\$Nil) included in the above are carried at net realisable value.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 22. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows a credit period normally ranging from cash on delivery to 90 days to its trade customers.

As at 31 March 2004, the balance of trade and other debtors, deposits and prepayments included trade debtors of HK\$13,476,000 (2003: HK\$5,459,000). The aged analyses of trade debtors, net of provision for bad and doubtful debts, at the reporting dates are as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 – 60 days	10,902	2,778
61 – 90 days	651	1,028
91 – 180 days	1,259	1,202
181 – 365 days	528	193
Over 1 year	136	258
	<u>13,476</u>	<u>5,459</u>

### 23. TRADE AND OTHER CREDITORS

As at 31 March 2004, the balance of trade and other creditors included trade creditors of HK\$6,006,000 (2003: HK\$4,225,000). The aged analyses of trade creditors at the reporting dates are as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 – 60 days	4,706	2,798
61 – 90 days	318	935
91 – 180 days	449	63
181 – 365 days	83	15
Over 1 year	450	414
	<u>6,006</u>	<u>4,225</u>

Included in other creditors of the Group are amounts of approximately HK\$1,122,000 representing accrued salaries due to the Company's former directors (all resigned on 27 May 2003), Mr. Liang Jun, Mr. Tsai Bobby Sung-En and Mr. Chang Chih Ping, Tony which have been settled subsequent to the balance sheet date. (2003: accrued salaries due to the then directors and a former director of approximately HK\$1,364,000 and HK\$1,643,000 respectively).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 24. SHORT TERM LOANS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Secured loans	45,517	–
Unsecured loan	1,081	–
	<u>46,598</u>	<u>–</u>

The Group's short term loans comprise the following:

- (a) A loan of HK\$10,000,000 from an independent third party which is interest bearing at a monthly interest rate of 3.5% and is secured by 60% shareholding in United Asia, a subsidiary of the Group. On 6 April 2004, the loan and the interest payable were fully repaid and the pledge was released.
- (b) A loan of HK\$35,517,000 from an independent third party which is interest bearing at 1% per annum over bank's best lending rate and due in September 2004. The loan is secured by a pledge of all the issued share capital in and the shareholder loan to Full Ahead, a wholly-owned subsidiary of the Group. Full Ahead is the holding company of the subsidiaries which are mainly engaged in apparel trading.
- (c) An unsecured loan of HK\$1,081,000 which is interest bearing at 5% per annum and due in March 2005. This loan is granted to United Asia. The lender is one of the beneficial owner of the purchaser, New Insight Development Limited, which has acquired 60% equity interest in United Asia subsequent to the balance sheet date.

### 25. DEFERRED TAXATION

(a)

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000 (As restated)
As at 1 April	4,637	6,835
Charged/(credited) to the income statement	603	(610)
Credited to equity	(1,945)	(1,566)
Exchange differences	9	(22)
	<u>3,304</u>	<u>4,637</u>
As at 31 March		

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 25. DEFERRED TAXATION (Continued)

- (b) The followings are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods:

	THE GROUP			
	Accelerated tax depreciation	Revaluation of leasehold properties	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2002				
– as previously reported	–	–	–	–
– prior year adjustments in respect of change in accounting policy				
– deferred taxation ( <i>Note 2</i> )	(311)	9,145	(1,999)	6,835
	<u>(311)</u>	<u>9,145</u>	<u>(1,999)</u>	<u>6,835</u>
– as restated	(311)	9,145	(1,999)	6,835
Credited to the income statement	–	(79)	(531)	(610)
Credited to equity	–	(1,566)	–	(1,566)
Exchange differences	(3)	–	(19)	(22)
	<u>(3)</u>	<u>–</u>	<u>(19)</u>	<u>(22)</u>
As at 31 March 2003	<u>(314)</u>	<u>7,500</u>	<u>(2,549)</u>	<u>4,637</u>
As at 1 April 2003				
– as previously reported	–	–	–	–
– prior year adjustments in respect of change in accounting policy				
– deferred taxation ( <i>Note 2</i> )	(314)	7,500	(2,549)	4,637
	<u>(314)</u>	<u>7,500</u>	<u>(2,549)</u>	<u>4,637</u>
– as restated	(314)	7,500	(2,549)	4,637
(Credited)/charged to the income statement	–	(135)	738	603
Credited to equity	–	(1,945)	–	(1,945)
Exchange differences	1	–	8	9
	<u>1</u>	<u>–</u>	<u>8</u>	<u>9</u>
As at 31 March 2004	<u>(313)</u>	<u>5,420</u>	<u>(1,803)</u>	<u>3,304</u>

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**25. DEFERRED TAXATION (Continued)**

- (c) As at the balance sheet date, the following unused tax losses and deductible temporary differences have not been recognised as deferred tax assets:

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unused tax losses	76,003	66,350	11,328	12,913
Deductible temporary differences	3,239	2,617	–	254
	<u>79,242</u>	<u>68,967</u>	<u>11,328</u>	<u>13,167</u>

Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits. As at the balance sheet date, approximately HK\$12,720,000 and HK\$2,625,000 of the above unused tax losses and deductible temporary differences respectively were related to the discontinuing operations (Note 5).

**26. PROVISION FOR LONG SERVICE PAYMENTS**

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The amount recognised in the balance sheet is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
As at 1 April	–	–
Provision made during the year	959	–
	<u>959</u>	<u>–</u>
As at 31 March	959	–

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 27. SHARE CAPITAL

	Number of shares	HK\$'000
<i>Authorised:</i>		
As at 1 April 2003 and 2002: Ordinary shares of HK\$0.10 each	3,000,000,000	300,000
Share Subdivision ( <i>Note (a)(iii)</i> ), ordinary shares of HK\$0.001 each	<u>297,000,000,000</u>	<u>–</u>
<b>As at 31 March 2004: Ordinary shares of HK\$0.001 each</b>	<b><u>300,000,000,000</u></b>	<b><u>300,000</u></b>
<i>Issued and fully paid:</i>		
As at 1 April 2003 and 2002: Ordinary shares of HK\$0.10 each	1,521,541,315	152,154
Capital Reduction ( <i>Note (a)(i)</i> )	–	(152,002)
Share Consolidation ( <i>Note (a)(ii)</i> )	(1,369,387,184)	–
Rights Issue ( <i>Note (b)</i> )	152,154,131	152
Top-up Placement ( <i>Note (c)</i> )	<u>60,000,000</u>	<u>60</u>
<b>As at 31 March 2004: Ordinary shares of HK\$0.001 each</b>	<b><u>364,308,262</u></b>	<b><u>364</u></b>

- (a) Pursuant to the special resolutions passed at a special general meeting held on 9 July 2003 and taking effect on 10 July 2003:
- (i) The paid up capital of each of the issued shares was reduced from HK\$0.10 to HK\$0.0001 each by the cancellation of HK\$0.0999 of the paid up capital on each issued share ("Capital Reduction"). As a result of the Capital Reduction, based upon 1,521,541,315 issued shares, an amount of approximately HK\$152,002,000 from the share capital account of the Company was cancelled and credited to the contributed surplus account of the Company. The amount was then applied to eliminate part of the accumulated losses.
- (ii) Every 10 issued reduced shares of HK\$0.0001 each immediately after the Capital Reduction were consolidated into one new share of HK\$0.001 each ("Share Consolidation").

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**27. SHARE CAPITAL (Continued)**

- (iii) Each authorised but unissued share of HK\$0.10 each in the capital of the Company (including the authorised but unissued shares arising from the Capital Reduction) was subdivided into 100 new shares of HK\$0.001 each (“Share Subdivision”). Following the Capital Reduction, Share Consolidation and Share Subdivision, the authorised but unissued share capital and issued share capital of the Company became 299,847,845,869 and 152,154,131 new shares respectively.
- (b) On 5 August 2003, 152,154,131 new shares of HK\$0.001 each were issued by way of rights issue (“Rights Issue”) at an issue price of HK\$0.30 per rights share in the proportion of one rights share for every one share then held to provide additional working capital to the Company. These new shares rank pari passu in all respects with the then existing shares of the Company. The premium arose from the Rights Issue of approximately HK\$44,423,000, net of Rights Issue expenses of approximately HK\$1,071,000, was credited to the share premium account (Note 30).
- (c) Pursuant to a placing agreement and a subscription agreement both dated 7 November 2003, Leopard Vision Limited, a substantial shareholder of the Company, agreed to place 60,000,000 ordinary shares of the Company at HK\$0.25 per share to independent investors and, in turn, subscribed for 60,000,000 new shares (“Subscription”) in the Company at the same price to provide additional working capital to the Company (“Top-up Placement”). The allotment of new shares was completed on 21 November 2003. These new shares rank pari passu in all respects with the then existing shares of the Company. The premium arose from the Subscription of approximately HK\$14,647,000, net of share issuing expenses of approximately HK\$293,000, was credited to the share premium account (Note 30).

**28. WARRANTS**

On 5 September 2001, the Company entered into a conditional placing and underwriting agreement with a placing agent in connection with a private placing of 234,000,000 units of warrants with independent investors at a placing price of HK\$0.15 per unit. The warrants were issued in registered form in units of HK\$0.5 of subscription rights, entitling their holders to subscribe for shares of HK\$0.10 each of the Company at a price of HK\$0.5 per share, subject to adjustment, at any time on or after the date of issue thereof but not later than 31 March 2004.

As a result of the Share Consolidation and Rights Issue as mentioned in Note 27 to the financial statements, the subscription price had been changed from HK\$0.50 to HK\$3.79 for shares of HK\$0.001 each of the Company. No subscription right was exercised by the warrant holders up to the expiry date of the warrants on 31 March 2004, and accordingly the subscription rights attaching to the warrants lapsed and the warrants ceased to be valid thereafter. Other reserve of approximately HK\$33,392,000 realised upon expiry of warrants was credited to the income statement of the Group and the Company (Note 30).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 29. SHARE OPTIONS

Pursuant to the new share option scheme adopted by the shareholders of the Company on 30 August 2002 (the "New Share Option Scheme"), the board of directors (the "Board") of the Company may for a consideration of HK\$1 offer to selected eligible persons to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the Board at its absolute discretion, but in any event shall not be less than the higher of the nominal value for the time being of each share of the Company, the average closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date on which the relevant option is granted and the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date on which the relevant option is granted.

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and any other schemes of the Company must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time.

The New Share Option Scheme became effective for a period of ten years commencing on 26 September 2002.

No options under the New Share Option Scheme had been granted to any person since its adoption.

In compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange, the New Share Option Scheme supersedes the previous share option scheme adopted by the shareholders of the Company on 16 September 1994 (the "Previous Share Option Scheme"). The Previous Share Option Scheme was terminated on 26 September 2002 accordingly. However, notwithstanding the termination of the Previous Share Option Scheme, the outstanding options previously granted under the Previous Share Option Scheme shall remain valid and exercisable in accordance with the provisions of the Previous Share Option Scheme.

As at 31 March 2004, the outstanding options granted under the Previous Share Option Scheme were set out as follows:

Grantee	Date of grant	Exercise period	Exercise price per share HK\$	Number of options		
				Outstanding at beginning of the year	Waived during the year (Note)	Outstanding at end of the year
<b>Former executive director</b>						
Tsai Bobby Sung-En	19.10.2001	19.10.2001 to 18.10.2011	0.435	8,000,000	(8,000,000)	–
<b>Employees</b>	8.9.1999	8.9.1999 to 7.9.2009	0.85	8,500,000	(8,500,000)	–
				<u>16,500,000</u>	<u>(16,500,000)</u>	<u>–</u>

Note: On 27 May 2003, the above grantees, whose options were then still outstanding, waived all their respective rights to subscribe for shares of the Company under the Previous Share Option Scheme.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 30. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Other property revaluation reserve HK\$'000	Translation reserve HK\$'000	Negative goodwill reserve HK\$'000	Goodwill reserve HK\$'000	Capital redemption reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>THE GROUP</b>										
As at 1 April 2002										
– as previously reported	615,825	–	36,793	577	27,314	(1,843)	1,190	33,392	(519,542)	193,706
– prior year adjustments in respect of change in accounting policy – deferred taxation (Note 2)	–	–	(9,934)	–	–	–	–	–	3,099	(6,835)
– as restated	615,825	–	26,859	577	27,314	(1,843)	1,190	33,392	(516,443)	186,871
Deficit on revaluation of leasehold properties	–	–	(5,800)	–	–	–	–	–	–	(5,800)
Deferred taxation credited to equity	–	–	1,566	–	–	–	–	–	–	1,566
Exchange difference arising on translation of operations outside Hong Kong	–	–	–	461	–	–	–	–	–	461
Reserves attributable to minority interests	–	–	1,693	31	–	–	–	–	–	1,724
Share of movement of reserve of associates	–	–	–	29	–	–	–	–	–	29
Net loss for the year	–	–	–	–	–	–	–	–	(295,120)	(295,120)
As at 31 March 2003	<u>615,825</u>	<u>–</u>	<u>24,318</u>	<u>1,098</u>	<u>27,314</u>	<u>(1,843)</u>	<u>1,190</u>	<u>33,392</u>	<u>(811,563)</u>	<u>(110,269)</u>
As at 1 April 2003										
– as previously reported	615,825	–	33,313	1,085	27,314	(1,843)	1,190	33,392	(817,762)	(107,486)
– prior year adjustments in respect of change in accounting policy – deferred taxation (Note 2)	–	–	(8,995)	13	–	–	–	–	6,199	(2,783)
– as restated	615,825	–	24,318	1,098	27,314	(1,843)	1,190	33,392	(811,563)	(110,269)
Deficit on revaluation of leasehold properties	–	–	(7,204)	–	–	–	–	–	–	(7,204)
Deferred taxation credited to equity	–	–	1,945	–	–	–	–	–	–	1,945
Transfer from share capital due to Capital Reduction (Note 27(a)(i))	–	152,002	–	–	–	–	–	–	–	152,002
Transfer between reserves (Note 27(a)(i))	–	(152,002)	–	–	–	–	–	–	152,002	–
Premium arising from Rights Issue, net of expenses (Note 27(b))	44,423	–	–	–	–	–	–	–	–	44,423
Premium arising from Top-up Placement, net of expenses (Note 27(c))	14,647	–	–	–	–	–	–	–	–	14,647
Exchange difference arising on translation of operations outside Hong Kong	–	–	–	(136)	–	–	–	–	–	(136)
Reserves attributable to minority interests	–	–	2,104	54	–	–	–	–	–	2,158
Reserve realised upon disposal of a subsidiary	–	–	–	(8)	–	–	–	–	–	(8)
Reserve realised upon interest in an associate written off	–	–	–	(16)	–	–	–	–	–	(16)
Reserve realised upon expiry of warrants (Note 28)	–	–	–	–	–	–	–	(33,392)	–	(33,392)
Net loss for the year	–	–	–	–	–	–	–	–	(5,043)	(5,043)
As at 31 March 2004	<u>674,895</u>	<u>–</u>	<u>21,163</u>	<u>992</u>	<u>27,314</u>	<u>(1,843)</u>	<u>1,190</u>	<u>–</u>	<u>(664,604)</u>	<u>59,107</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 30. RESERVES (Continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Other property revaluation reserve HK\$'000	Translation reserve HK\$'000	Negative goodwill reserve HK\$'000	Goodwill reserve HK\$'000	Capital redemption reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Attributable to:										
The Company and its subsidiaries	674,895	-	21,163	983	27,314	(1,843)	1,190	-	(664,179)	59,523
Associates	-	-	-	9	-	-	-	-	(425)	(416)
<b>As at 31 March 2004</b>	<b>674,895</b>	<b>-</b>	<b>21,163</b>	<b>992</b>	<b>27,314</b>	<b>(1,843)</b>	<b>1,190</b>	<b>-</b>	<b>(664,604)</b>	<b>59,107</b>
Attributable to:										
The Company and its subsidiaries	615,825	-	24,318	1,065	27,314	(1,843)	1,190	33,392	(802,042)	(100,781)
Associates	-	-	-	33	-	-	-	-	(9,521)	(9,488)
<b>As at 31 March 2003</b>	<b>615,825</b>	<b>-</b>	<b>24,318</b>	<b>1,098</b>	<b>27,314</b>	<b>(1,843)</b>	<b>1,190</b>	<b>33,392</b>	<b>(811,563)</b>	<b>(110,269)</b>

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>THE COMPANY</b>						
As at 1 April 2002	615,825	129,298	1,190	33,392	(653,397)	126,308
Net loss for the year	-	-	-	-	(298,631)	(298,631)
As at 31 March 2003 and as at 1 April 2003	615,825	129,298	1,190	33,392	(952,028)	(172,323)
Transfer from share capital due to Capital Reduction (Note 27(a)(i))	-	152,002	-	-	-	152,002
Transfer between reserves (Note 27(a)(i))	-	(152,002)	-	-	152,002	-
Premium arising from Rights Issue, net of expenses (Note 27(b))	44,423	-	-	-	-	44,423
Premium arising from Top-up Placement, net of expenses (Note 27(c))	14,647	-	-	-	-	14,647
Reserve realised upon expiry of warrants (Note 28)	-	-	-	(33,392)	-	(33,392)
Net profit for the year	-	-	-	-	25,959	25,959
<b>As at 31 March 2004</b>	<b>674,895</b>	<b>129,298</b>	<b>1,190</b>	<b>-</b>	<b>(774,067)</b>	<b>31,316</b>

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**30. RESERVES (Continued)**

The contributed surplus represents the difference between the nominal value of the Company's shares issued in exchange for all the issued ordinary shares of OU Strategies and the value of net assets of the underlying subsidiaries acquired at 31 August 1994, net of HK\$100,000 applied in paying up in full at par the 1,000,000 nil paid shares. The movement thereon are as a result of the Capital Reduction.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

As at 31 March 2004 and 2003, the Company had no reserves available for distribution to shareholders.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Acquisition of subsidiaries

Net liabilities acquired:

	HK\$'000
Property, plant and equipment	1,140
Interests in unconsolidated subsidiaries	7,525
Inventories	44,549
Trade and other debtors, deposits and prepayments	19,690
Loan receivables	1,258
Bank and cash balances	871
Trade and other creditors	(7,211)
Amount due to immediate holding company	(306,799)
Short term loans	(64,200)
Amounts due to unconsolidated subsidiaries	<u>(7,525)</u>
Net liabilities acquired	(310,702)
Assignment of amounts due from subsidiaries	306,827
Goodwill ( <i>Note 17</i> )	<u>9,217</u>
Total consideration – satisfied by cash	<u><u>5,342</u></u>

Net cash outflow arising on acquisition of subsidiaries:

	HK\$'000
Cash consideration	(5,342)
Bank and cash balances	<u>871</u>
Net outflow of cash and cash equivalents	<u><u>(4,471)</u></u>

The subsidiaries acquired during the year ended 31 March 2004 used approximately HK\$10,304,000 net cash outflow from operating activities, approximately HK\$585,000 net cash outflow from investing activities and approximately HK\$28,683,000 net cash outflow from financing activities.

The subsidiaries acquired during the year ended 31 March 2004 contributed approximately HK\$76,008,000 to the Group's turnover and accounted for approximately HK\$14,653,000 of the Group's loss from ordinary activities before taxation.

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)****(b) Disposal of a subsidiary**

During the year ended 31 March 2004, the Group disposed of its entire 100% interest in Electronic Dragon (*Note 18(c)*).

Net liabilities disposed of:

	HK\$'000
Interest in associates	–
Amounts due to the Group	(185,276)
	<hr/>
Net liabilities disposed of	(185,276)
Amounts due from Electronic Dragon written off	185,276
Incidental costs	20
Translation reserve realised	(8)
Gain on disposal of a subsidiary	488
	<hr/>
Total consideration – satisfied by cash	<u>500</u>

Net cash inflow arising on disposal of a subsidiary:

	HK\$'000
Cash consideration	500
Incidental costs	(20)
	<hr/>
Net inflow of cash and cash equivalents	<u>480</u>

The subsidiary disposed of during the year ended 31 March 2004 did not have a significant impact on the Group's cash flows for the years ended 31 March 2004 and 2003.

The subsidiary disposed of during the year ended 31 March 2004 accounted for approximately HK\$5,000 (2003: HK\$171,363,000) of the Group's loss from ordinary activities before taxation.

**32. RELATED PARTY TRANSACTIONS**

Save as disclosed in the consolidated balance sheet and in Notes 20, 23 and 35 to the financial statements at the balance sheet date, the Group did not have any significant related party transactions during the year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 33. CONTINGENT LIABILITIES

As at the balance sheet date, the Group and the Company had the following contingent liabilities:

- (a) On 29 September 2000, an action was commenced in the HCAJ 250 of 2000 (the "1st Action") by Fuhai Marine Enterprise Limited ("Fuhai Marine") and the owners and/or those entitled to sue in respect of a cargo lately laden on board the ship or vessel "Sui Hang 982" against the demise charterers of the ship "Sui Hang 982" and the owners of the ship or vessel "Sui Hang 982" as well as her sister vessels. Freedom Liberty Limited ("Freedom Liberty"), a wholly owned subsidiary of the Company, acknowledged service of the Writ of Summons in the 1st Action as the demise charterer of Sui Hang 982. Fuhai Marine was the forwarding agent of a containerised cargo interests on board the "Zhu Yun 278", the vessel which collided with "Sui Hang 982", on 28 June 2000 within Hong Kong waters. After the collision, "Zhu Yun 278" foundered and sank with all cargoes on board. The claims in that 1st Action are for approximately US\$50,000 plus interests and costs and are brought in tort. The case is currently being handled by the Company's legal advisers. In the opinion of the directors, it appears unlikely that the plaintiffs would proceed with the 1st Action as no Statement of Claim has yet been served to date notwithstanding the commencement of the 1st Action in September 2000. Hence, no provision has been made in the financial statements.
- (b) On 27 June 2001, two actions were commenced in HCAJ 202 and 203 of 2001 ("the 2nd Action" and "3rd Action" respectively) by the owners and/or those entitled to sue in respect of cargo lately laden on board the ship or vessel "Zhu Yun 278" against the owners and/or demise charterers of the ship or vessel "Sui Hang 982". The claims in the 2nd Action and the 3rd Action are for damages and interests (which were not specified in the respective Indorsement of Claim) and arise out of the collision between "Sui Hang 982" and "Zhu Yun 278" on 28 June 2000 within Hong Kong waters. After the collision, "Zhu Yun 278" foundered and sank with all cargoes on board. Freedom Liberty was involved in the 2nd Action and the 3rd Action because it had acknowledged service of the Writ of Summons of the 1st Action as a demise charterer of the ship or vessel "Sui Hang 982" and the 2nd Action and the 3rd Action were brought against its owners and/or demise charterers. The cases are currently being handled by the Company's legal advisers. In the opinion of directors, it appears unlikely that the plaintiffs would proceed with the 2nd Action and the 3rd Action since the Writs have not yet been served on Freedom Liberty. Hence, no provision has been made in the financial statements.
- (c) On 9 April 2002, an action has been commenced in the HCCL 18 of 2002 (the "4th Action") by Wedge Marine Limited against the Company (as 1st defendant) and two other defendants for the sum of approximately US\$408,000 and GBP107,000 together with interest and costs. The claim in the 4th Action is in connection with damages together with interest and cost previously claimed for the unpaid charter hire of vessel by a former subsidiary of the Company in which the Company was then claimed as having guaranteed the performance and payments of this former subsidiary. The parties are dealing with the interlocutory matters. Based on the legal advice obtained, the directors strongly believe that the Group and the Company have reasonable chances of successfully defending the 4th Action. Hence, no provision has been made in the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**33. CONTINGENT LIABILITIES (Continued)**

- (d) On 13 March 2003, Total Resources Limited ("Total Resources") issued a Writ of Summons at the District Court (the "5th Action") against the Company for HK\$304,000 being fees allegedly due to Total Resources for secondment services in relation to provision of company secretary under a service agreement dated 1 August 2001 ("Service Agreement"). On 2 May 2003, Total Resources amended its Statement of Claim and then increased its claim to HK\$1,064,000 being damages for repudiation of the Service Agreement. On 20 May 2003, an Order was granted by the District Court for the 5th Action to be transferred to the High Court.

The sum of approximately HK\$343,000 representing outstanding service fees together with interest was paid to the High Court on 21 April 2004 in satisfaction of Total Resources' claims. Based on the legal advice obtained, the directors strongly believe that the Group and the Company have reasonable chances of successfully defending the remaining part of the claim. Hence, no further provision has been made in the financial statements.

- (e) The Company provided an unlimited guarantee to a securities margin financier to secure a revolving margin loan facility of HK\$5,000,000 granted to a subsidiary. As at the balance sheet date, no margin loan facility was utilised by the subsidiary.

**34. CAPITAL COMMITMENTS**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
(a) Unpaid capital contribution to an associate	–	4,141
(b) Acquisition of property in Malaysia (Note)	<b>105,281</b>	–
	<b>105,281</b>	4,141

*Note:* In the opinion of the directors, no demand for payments of these amounts will be made by the counterparties in the coming year as the counterparties failed to complete the construction work.

The Company had no significant capital commitments as at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 35. OPERATING LEASE COMMITMENTS

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

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>Land and buildings</b>				
Within one year	8,496	2,298	1,036	1,657
In the second to fifth years inclusive	4,805	1,365	–	1,036
	<b>13,301</b>	<b>3,663</b>	<b>1,036</b>	<b>2,693</b>
<b>Vessels</b>				
Within one year	1,260	–	–	–
	<b>14,561</b>	<b>3,663</b>	<b>1,036</b>	<b>2,693</b>

The leases are negotiated for a term ranging from 1 to 3 years. The operating lease rentals of certain retail outlets are based on the higher of a minimum guaranteed rental or a sales level based rental, ranging from 10% to 15% on the sales level. The minimum guaranteed rental has been used to arrive at the above commitments.

As at 31 March 2004, total future minimum sublease payments expected to be received by the Group and the Company under a non-cancellable sublease is approximately HK\$747,000 (2003: HK\$Nil). Under a guarantee and indemnity dated 27 May 2003, Mr. Chan Tat Chee, an independent non-executive director of the Company (resigned on 27 May 2003) guarantees to the Company the due observance and performance by the tenant of its obligations under the above sublease.



**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**36. OTHER COMMITMENTS**

As at the balance sheet date, the Group had entered into certain licensing and technical assistance arrangements. The future minimum licensing and technical assistance payments committed by the Group in respect of the arrangements are as follows:

	<b>THE GROUP</b>	
	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
<b>Licensing arrangement</b>		
Within one year	<b>4,700</b>	–
In the second to fifth year inclusive	<b>12,390</b>	–
	<b>17,090</b>	–
<b>Technical assistance arrangement</b>		
Within one year	<b>3,973</b>	–
	<b>21,063</b>	–

During the year ended 31 March 2004, the Group had entered into a service agreement in relation to the licensing arrangement under the business of apparel trading. The contract sum committed by the Group is HK\$200,000 annually and shall be ceased to be payable upon the termination of the licensing arrangement.

The Company had no other significant commitments as at the balance sheet date.

**37. RETIREMENT BENEFITS SCHEMES****Hong Kong**

Prior to 12 June 2002, the Group maintained the defined contribution scheme registered under the Occupational Retirement Schemes Ordinance (“ORSO Scheme”) and obtained an exemption satisfying the requirements of the Mandatory Provident Fund Schemes Ordinance (“MPFO”). In order to comply with MPFO, a Mandatory Provident Fund Scheme (“MPF Scheme”) with voluntary contributions has been established. New employees must join the MPF Scheme when it commenced on 1 December 2000.

The ORSO Scheme was terminated in accordance with its terms and rules and the registration of the ORSO Scheme has been deleted from the Register of Occupational Retirement Schemes on 12 June 2002. The rights of the members and the assets of the ORSO Scheme corresponding to such rights have been transferred to the MPF Scheme.

During the year ended 31 March 2004, the amount charged to the income statement represents contributions payable to the MPF scheme by the Group at rate specified in the rules of the MPF scheme less forfeiture arising from employees leaving the Group prior to completion of qualifying service period, if any.

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2004**37. RETIREMENT BENEFITS SCHEMES (Continued)****Hong Kong (Continued)**

The total contributions incurred in connection with the scheme for the year ended 31 March 2004 was approximately HK\$740,000 (2003: HK\$177,000) after deduction of forfeited contributions of approximately HK\$309,000 (2003: HK\$100,000). As at 31 March 2004, there were no material forfeitures available to offset the Group's future contributions.

**The PRC**

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. All employees of the Group in the PRC are entitled to an annual pension equal to a fixed portion of their individual final basic salaries at their retirement date. The Group is required to contribute a specified percentage of the payroll of its employees to the retirement scheme. The total contributions incurred in connection with the scheme for the year ended 31 March 2004 was approximately HK\$135,000 (2003: HK\$184,000). No forfeited contributions may be used by the employers to reduce the existing level of contributions.

**38. EVENTS AFTER THE BALANCE SHEET DATE**

Save as disclosed in Notes 5, 18(d) and 18(e) above, the Group did not have any other significant events took place subsequent to the balance sheet date.

**39. COMPARATIVE FIGURES**

Certain comparative figures have been restated (a) to conform with the change in accounting policy in respect of the adoption of SSAP 12 (Revised), details of which are set out in Note 2 to the financial statements; and (b) to segregate continuing and discontinuing operations, details of which are set out in Note 5 to the financial statements to conform with the current year's presentation.

**40. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board on 15 July 2004.