



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

1. GENERAL

The Company is incorporated in Bermuda as an exempted company 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. The activities of its subsidiaries are set out in note 31.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice (“SSAP”) 12 “Income Taxes”, which is one of the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Society of Accountants (“HKSA”). The terms of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA. The principal effect of the implementation of SSAP12 (Revised) is in relation to deferred taxation. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred taxation is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this revised SSAP has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and certain investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'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 at the date of acquisition over the cost of acquisition.

Negative goodwill is presented separately in the balance sheet as a deduction from assets. To the extent that such 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 life 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 in income immediately.

Investments in subsidiaries

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

Revenue recognition

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

When a property is developed for sale, income is recognised only when the property or any portion of it contracted for sale is completed and the appropriate building occupation permit has been granted by the relevant authority.

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

Rental income, including rentals invoiced in advance, from properties under operating leases, is recognised on a straight line basis over the terms of the relevant lease.

Profits and losses arising on trading in securities are recognised on a trade-date basis.

Dividend income from investments is recognised when the right to receive payment has been established.



Notes to the Financial Statements

For the year ended 31st March, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuation at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a surplus subsequently arises, the surplus is credited to the income statement to the extent of the deficit previously charged.

On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the term of the relevant lease is twenty years or less.

Property, plant and equipment

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

Depreciation and amortisation are provided to write off items 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 lease terms
Buildings	4% or over the remaining terms of the relevant lease, if shorter
Furniture, fixtures and machinery	10% – 20%
Motor vehicles	10% – 20%

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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.

Investments in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are carried at fair value, with unrealised gains and losses included in net profit or loss for the year.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated sales proceeds less estimated selling expenses.



Notes to the Financial Statements

For the year ended 31st March, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Loan arrangement fees represent expenses incurred in obtaining short-term unsecured loan facilities. Such expenses are deferred and amortised to the income statement over the repayment term of the loan on a straight line basis to provide a constant periodic rate of charge.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxation profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Operating leases

Rentals payables/receivables under operating leases are charged/credited to the income statement on a straight line basis over the term of the relevant lease.



Notes to the Financial Statements

For the year ended 31st March, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Retirement benefit costs

The pension costs charged to the income statement represent the contributions payable in the current year to the Group's Mandatory Provident Fund Scheme and defined contribution retirement scheme.

4. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties and is summarised as follows:

	2004	2003
	HK\$'000	HK\$'000
Sale of properties	47,276	21,825
Trading of motorcycles	15,864	11,562
Rental income	374	809
Trading of air conditioning equipment and provision of engineering related services	-	7,080
	63,514	41,276

The outgoings arising from rental income was negligible in both years.

Notes to the Financial Statements

For the year ended 31st March, 2004

5. LOSS FROM OPERATIONS

	2004	2003
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Auditors' remuneration:		
– current year	653	404
– underprovision in the previous year	249	379
	902	783
Depreciation and amortisation	183	288
Retirement benefits scheme contributions, net of forfeited contributions of HK\$77,000 (2003: HK\$83,000)	23	77
Staff costs, including directors' remuneration	3,933	6,270
	3,956	6,347
Dividend income from unlisted investments in securities	–	(244)
Gain on disposal of property, plant and equipment	(1,053)	(16)
Gain on disposal of investment securities	–	(197)
Interest income	(5,720)	(6,099)



Notes to the Financial Statements

For the year ended 31st March, 2004

6. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	15,105	9,849
– bank borrowings not wholly repayable within five years	–	98
Loan arrangement fees	480	–
	<u>15,585</u>	<u>9,947</u>
Less: Amount capitalised to properties under development	–	(4,791)
	<u>15,585</u>	<u>5,156</u>

7. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

A. Directors' emoluments

	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	20	–
	<u>20</u>	<u>–</u>
Other emoluments paid to executive directors:		
Salaries and other benefits	2,574	3,038
Retirement benefits scheme contributions	39	49
	<u>2,613</u>	<u>3,087</u>
	<u>2,633</u>	<u>3,087</u>

Notes to the Financial Statements
For the year ended 31st March, 2004

7. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS (Cont'd)

A. Directors' emoluments (Cont'd)

The directors' emoluments were within the following bands:

	Number of directors	
	2004	2003
Nil – HK\$1,000,000	7	8
HK\$1,500,001 – HK\$2,000,000	1	1
	<u>8</u>	<u>9</u>

B. Highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2003: five) were directors of the Company whose emoluments are included in (A) above. During the year ended 31st March, 2003, two of the five directors were appointed or resigned and their emoluments of HK\$556,000 which were arisen in the position of employees and before appointment or after resignation as directors, were excluded from (A) above.

The emoluments of the remaining two individuals (2003: two directors who were in the position of employees) were as follows:

	2004	2003
	HK\$'000	HK\$'000
Salaries and other benefits	486	533
Retirement benefits scheme contributions	22	23
	<u>508</u>	<u>556</u>

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.



Notes to the Financial Statements

For the year ended 31st March, 2004

8. DISCONTINUING OPERATIONS

In August 2002, the Group ceased its operations in the trading of air conditioning equipment and provision of engineering related services in the People's Republic of China, other than Hong Kong (the "PRC") after the disposal of a subsidiary, King-Tech Engineering Company Limited ("King-Tech Engineering").

The results of the discontinuing operations were as follows:

	Period ended 31st July, 2002 HK\$'000
Turnover	7,080
Cost of sales	<u>(5,301)</u>
Gross profit	1,779
Other operating income	59
Distribution costs	(85)
Administrative expenses	(1,841)
Allowance for bad and doubtful debts	<u>(5,280)</u>
Loss before minority interest	(5,368)
Minority interest	<u>-</u>
Loss for the period up to date of discontinuance	<u><u>(5,368)</u></u>

During the year ended 31st March, 2003, King-Tech Engineering contributed HK\$1,462,000 to the Group's net operating cash outflows and received HK\$750,000 in respect of investing activities.

*Notes to the Financial Statements**For the year ended 31st March, 2004***8. DISCONTINUING OPERATIONS (Cont'd)**

The carrying amounts of the assets and liabilities of King-Tech Engineering at the date of disposal were as follows:

	2003 HK\$'000
Total assets	<u>11,808</u>
Total liabilities	<u>(9,595)</u>

Loss on disposal of discontinuing operations of HK\$713,000 arose on the disposal of King-Tech Engineering, being the proceeds of disposal less the carrying amount of the subsidiary's net assets.



Notes to the Financial Statements

For the year ended 31st March, 2004

9. TAXATION

No provision for Hong Kong Profits Tax has been made for the Group as the Company and its subsidiaries had no assessable profit for the year.

The Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment.

The tax charge for the year can be reconciled to the loss per the income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Loss before taxation	(37,791)	(65,332)
Tax at the Hong Kong Profits Tax rate of 17.5% (2003: 16%)	(6,613)	(10,453)
Tax effect of expenses not deductible for tax purpose	673	1,451
Tax effect of income not taxable for tax purpose	(1,406)	(998)
Tax effect of deferred tax assets not recognised	7,379	48,968
Utilisation of tax losses previously not recognised	(33)	(4)
Utilisation of deductible expenses not claimed previously	-	(38,964)
Tax effect for the year	-	-

At 31st March, 2004, the Group has unrecognised deferred tax assets in respect of tax losses of HK\$538,966,000 (2003: HK\$495,631,000) and deductible temporary differences associated with investment properties and property, plant and equipment of HK\$25,504,000 (2003: HK\$21,994,000). The Company has unrecognised deferred tax asset in respect of tax losses of HK\$7,154,000 (2003: HK\$4,769,000).

No deferred tax assets has been recognised in respect of tax losses and deductible temporary differences due to the unpredictability of future profit streams.

Notes to the Financial Statements
For the year ended 31st March, 2004

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2004	2003
Loss for the year	<u>HK\$29,612,000</u>	<u>HK\$51,556,000</u>
Weighted average number of shares for the purpose of basic loss per share	<u>118,228,175</u>	<u>113,341,081</u>

For the purpose of calculating basic loss per share, the weighted average number of shares for the year ended 31st March, 2003 had been adjusted to reflect the capital reorganisation in April, 2003 as referred to in note 20.

No diluted loss per share has been presented because the exercise of the share options would result in a decrease of net loss per share.

11. INVESTMENT PROPERTIES

	THE GROUP
	<i>HK\$'000</i>
VALUATION	
At 1st April, 2003	17,000
Deficit arising on revaluation	<u>(8,800)</u>
At 31st March, 2004	<u>8,200</u>

The investment properties of the Group were leased out for rental purposes under operating leases and were revalued at 31st March, 2004 by an independent firm of professional valuers, chartered surveyors, on an open market value existing use basis. The resulting deficit arising on revaluation of HK\$8,800,000 has been charged to the consolidated income statement.

The Group's investment properties are situated in Hong Kong and held under medium term leases.



Notes to the Financial Statements

For the year ended 31st March, 2004

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Furniture, fixtures and machinery	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP				
COST				
At 1st April, 2003	3,295	1,403	384	5,082
Disposal of a subsidiary	(2,037)	–	–	(2,037)
Disposals	(1,258)	(686)	(146)	(2,090)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2004	–	717	238	955
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION, AMORTISATION AND IMPAIRMENT				
At 1st April, 2003	2,065	553	104	2,722
Provided for the year	2	114	67	183
Eliminated on disposal of a subsidiary	(2,037)	–	–	(2,037)
Eliminated on disposals	(30)	(207)	(56)	(293)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2004	–	460	115	575
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUES				
At 31st March, 2004	–	257	123	380
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2003	1,230	850	280	2,360
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements
For the year ended 31st March, 2004

12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Furniture, fixtures and machinery <i>HK\$'000</i>
THE COMPANY	
COST	
At 1st April, 2003 and 31st March, 2004	6
DEPRECIATION	
At 1st April, 2003	2
Provided for the year	—
At 31st March, 2004	2
NET BOOK VALUES	
At 31st March, 2004	4
At 31st March, 2003	4

The Group's leasehold land and buildings were situated in the PRC and were held under medium term land use rights.

13. INTERESTS IN SUBSIDIARIES

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unlisted shares, at cost	183,277	183,277
Amounts due from subsidiaries	607,354	609,104
Less: Impairment losses	(725,096)	(636,170)
	65,535	156,211



Notes to the Financial Statements

For the year ended 31st March, 2004

13. INTERESTS IN SUBSIDIARIES (Cont'd)

The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Company as at the date on which the Company became the holding company of the Group under the group reorganisation in 1994, less dividends distributed from pre-reorganisation reserves of the subsidiaries.

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinion of the directors, the Company will not demand repayment within twelve months from the balance sheet date and the amounts are therefore shown as non-current.

An impairment loss of HK\$88,926,000 (2003: HK\$51,730,000) has been recognised in respect of the investment in and advances to subsidiaries to their recoverable amounts.

Particulars of the subsidiaries at 31st March, 2004 are set out in note 31.

14. PROPERTIES HELD FOR SALE

At 31st March, 2004, the properties held for sales are carried at net realisable value. At 31st March, 2003, the properties held for sale were carried at the carrying value transferred from properties under development.

15. INVESTMENTS IN SECURITIES

	THE GROUP	
	Other investments	
	2004	2003
	HK\$'000	HK\$'000
Equity securities:		
Listed in Hong Kong, at market value	16,388	33,013

Notes to the Financial Statements
For the year ended 31st March, 2004

16. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows credit period ranging from 0 to 30 days to its trade customers.

The following is an aged analysis of trade debtors at the balance sheet date:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0 – 60 days	4,799	429
61 – 90 days	–	9
Over 90 days	–	43
	<hr/>	<hr/>
	4,799	481
Other debtors, deposits and prepayments	5,512	7,606
	<hr/>	<hr/>
	10,311	8,087
	<hr/>	<hr/>

17. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors at the balance sheet date:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0 – 60 days	488	1,630
61 – 90 days	–	495
Over 90 days	1,283	1,173
	<hr/>	<hr/>
	1,771	3,298
Other creditors and accrued expenses	5,870	11,327
	<hr/>	<hr/>
	7,641	14,625
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Notes to the Financial Statements

For the year ended 31st March, 2004

18. BANK AND OTHER BORROWINGS DUE WITHIN ONE YEAR

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Bank loans, secured	87,844	168,688
Other borrowings, unsecured	6,600	9,765
	<u>94,444</u>	<u>178,453</u>

Included in other borrowings were HK\$6,000,000 and HK\$600,000 which bear interest at Hong Kong prime rate plus 2% per annum and at 12% per annum, respectively.

19. MINORITY INTERESTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Loans from minority shareholders of a subsidiary	-	109,758
Share of net liabilities attributable to minority shareholders of subsidiaries	-	(111,570)
	<u>-</u>	<u>(1,812)</u>

The loans were unsecured, interest free and had no fixed terms of repayment.

At 31st March, 2003, the minority shareholders of the subsidiary had agreed to provide adequate funds to the subsidiary, on a pro rata basis, to meet in full its liabilities as they fall due and not to demand the repayment of the loans due to them until the subsidiary is in a financial position to do so. The minority shareholders had also agreed that any losses of the subsidiary attributable to them could be offset against the loans due to them. Accordingly, the amounts due from the minority shareholders in respect of their share of net liabilities had been recognised and offset against amounts due to them.

Notes to the Financial Statements
For the year ended 31st March, 2004

20. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 1st April, 2002 and 31st March, 2003, at HK\$0.10 each	4,000,000,000	400,000
Capital reorganisation		
– Share sub-division (<i>Note 1b</i>)	796,000,000,000	–
– Share consolidation (<i>Note 1c</i>)	(760,000,000,000)	–
	<u>40,000,000,000</u>	<u>400,000</u>
At 31st March, 2004, at HK\$0.01 each		
Issued and fully paid:		
At 1st April, 2002, at HK\$0.10 each	1,953,753,121	195,375
Placement of shares	390,000,000	39,000
	<u>2,343,753,121</u>	<u>234,375</u>
At 31st March, 2003, at HK\$0.10 each	2,343,753,121	234,375
Capital reorganisation		
– Capital reduction (<i>Note 1a</i>)	–	(233,203)
– Share consolidation (<i>Note 1c</i>)	(2,226,565,465)	–
Exercise of share options (<i>Note 2</i>)	10,510,000	105
	<u>127,697,656</u>	<u>1,277</u>
At 31st March, 2004, at HK\$0.01 each		



Notes to the Financial Statements

For the year ended 31st March, 2004

20. SHARE CAPITAL (Cont'd)

Notes:

- (1) Pursuant to an announcement dated 6th March, 2003 (the "Announcement") and resolutions passed on 14th April, 2003, a capital reorganisation (the "Capital Reorganisation") was passed and with effect from 15th April, 2003 which involved:
- (a) (i) the nominal value of all issued ordinary shares of HK\$0.10 each in the share capital of the Company (the "Share(s)") was reduced by HK\$0.0995 each by cancelling an equivalent amount of paid-up capital of the Share so that the nominal value of each such Share was reduced from HK\$0.10 to HK\$0.0005. Accordingly, based upon 2,343,753,121 Shares in issue as at the date of the Announcement, the issued share capital of the Company of HK\$234,375,000 would be reduced by HK\$233,203,000 to HK\$1,172,000 (the "Capital Reduction"); and
 - (ii) the credit arising from such reduction had been credited to the contributed surplus account of the Company;
 - (b) every unissued Share of HK\$0.10 was sub-divided into 200 unissued shares of HK\$0.0005 each;
 - (c) every 20 issued and unissued shares of HK\$0.0005 each in the capital of the Company were consolidated into one new ordinary share of HK\$0.01 each in the share capital of the Company following the Capital Reorganisation (the "Consolidated Share(s)"). On such basis and after the Capital Reduction, there were 117,187,656 Consolidated Shares in issue (the "Share Consolidation"); and
 - (d) the share premium as at 31st January, 2003 in the share premium account of the Company was cancelled and the credit arising therefrom was credited to the contributed surplus account of the Company.
- Part of the credit transferred to the contributed surplus account of the Company mentioned in (a)(ii) and (d) above had been used to set off against the deficit of the Company as at 31st January, 2003. According to the unaudited management accounts of the Company as at 31st January, 2003, the deficit of the Company amounted to approximately HK\$535.9 million.
- (2) On 23rd February, 2004, 24th February, 2004 and 5th March, 2004, the Company issued 3,510,000, 5,845,000 and 1,155,000 ordinary shares of HK\$0.01 each, respectively, for consideration of HK\$0.207 per share upon exercise of share options granted to certain employees and consultants. The new shares rank pari passu with the existing shares in all respects.

21. SHARE OPTIONS

Scheme adopted on 28th February, 1994 (the “1994 Scheme”)

The 1994 Scheme was adopted on 28th February, 1994 for the primary purpose of providing incentives to directors and eligible employees and will expire on 27th February, 2004. Under the 1994 Scheme, the Board of Directors of the Company may grant share options to eligible employees, including directors of the Company and its subsidiaries.

Share options granted should be accepted within 14 days from the date of grant, upon payment of HK\$1 per each grant of share options. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the nominal value of shares; and (ii) 80% of the average closing price of the shares for the five business days immediately preceding the date of grant.

At 31st March, 2004, the number of shares in respect of which options had been granted and remained outstanding under the 1994 Scheme was 27,300, representing approximately 0.02% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the 1994 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

No option may be granted to any one person which if exercised in full would result in the total number of shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 25% of the number of shares issued and issuable under all the options which may be granted under the 1994 Scheme at the time it is proposed to grant the said option to that person.

Share options may be exercised in accordance with the terms of the 1994 Scheme at any time after the date upon which the option is granted and prior to the expiry of ten years from that date, provided that, in the five years from the date of grant, the exercise of the option shall be restricted to a cumulative total of 20% of the entitlement to the option in each year. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of 1994 Scheme.

Pursuant to a resolution passed on 26th August, 2002, the 1994 Scheme was terminated.

*Notes to the Financial Statements**For the year ended 31st March, 2004***21. SHARE OPTIONS (Cont'd)****Scheme adopted on 26th August, 2002 (the "2002 Scheme")**

Following the termination of the 1994 Scheme in August 2002, the 2002 Scheme was adopted pursuant to a resolution passed on 26th August, 2002 for the primary purpose of providing incentives to eligible persons and will expire on 25th August, 2012. Under the 2002 Scheme, the Board of Directors of the Company may grant share options to the following eligible persons to subscribe for shares in the Company:

- (i) employees including executive directors of the Company, its subsidiaries and any companies in which the Company holds any equity interest; or
- (ii) non-executive directors of the Company, its subsidiaries and any companies in which the Company holds any equity interest; or
- (iii) suppliers or customers; or
- (iv) consultants, advisers or agents.

Share options granted should be accepted within 28 days of the date of grant, upon payment of HK\$1 per each grant of share options. The exercise price is determined at the highest of: (i) the closing price of the shares on the date of grant of the share option; or (ii) the average closing price of shares on the five trading days immediately preceding the date of grant or (iii) the nominal value of shares on the date of grant.

Share options may be exercised in accordance with the terms of the 2002 Scheme at any time after the date upon which the option is granted and accepted and prior to the expiry of ten years from that date.

Notes to the Financial Statements
For the year ended 31st March, 2004

21. SHARE OPTIONS (Cont'd)

At 31st March, 2004, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 1,155,000, representing approximately 0.9% of the shares of the Company in issue at that date. The maximum number of shares in respect of which share options under the 2002 Scheme may be granted when aggregated with the maximum number of shares in respect of which options may be granted under all the other schemes (the "Scheme Limit") is 10% of shares in issue on the adoption date of the 2002 Scheme. The Scheme Limit may be refreshed by a resolution in shareholders' meeting such that the total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other schemes shall not exceed 10% of the shares in issue as at the date of such shareholder's approval. However, the Scheme Limit and any increase in the Scheme Limit shall not result in the number of shares which may be issued upon exercise of all outstanding share options granted under the 2002 Scheme and other schemes exceed 30% of the shares in issue from time to time. No person shall be granted a share option, within 12-month period of the date of grant, exceeds 1% of the shares in issue as at the date of grant.

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

Option type	Outstanding at 1.4.2003	Adjustment during the year (Note)	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.3.2004
1994 Scheme	11,889,000	(11,294,550)	-	-	(567,150)	27,300
2002 Scheme	-	-	11,665,000	(10,510,000)	-	1,155,000
	<u>11,889,000</u>	<u>(11,294,550)</u>	<u>11,665,000</u>	<u>(10,510,000)</u>	<u>(567,150)</u>	<u>1,182,300</u>
Option type	Outstanding at 1.4.2002	Adjustment during the year	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.3.2003
1994 Scheme	<u>43,169,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,280,000)</u>	<u>11,889,000</u>

The market price of the shares ranged from HK\$0.40 to HK\$0.43 on the exercise dates of the options.



Notes to the Financial Statements

For the year ended 31st March, 2004

21. SHARE OPTIONS (Cont'd)

Details of the 1994 Scheme held by the directors included in the above table are as follows:

Year	Outstanding at 1st April	Adjustment during the year (Note)	Cancelled during the year	Outstanding at 31st March
2004	4,580,000	(4,351,000)	(229,000)	-
2003	19,580,000	-	(8,800,000)	10,780,000

There was no option granted to directors under the 2002 Scheme.

Details of the share options outstanding at 31st March, 2004 are as follows:

Date of grant	Exercisable period	Exercise price HK\$ (Note)	Number of shares to be issued upon exercise of the share options (Note)
1994 Scheme			
19.6.1997	19th June, 1997 to 18th June, 2007	21.84	4,800
2.2.1998	2nd February, 1998 to 1st February, 2008	2.00	2,000
17.11.1999	17th November, 1999 to 16th November, 2009	2.34	10,500
14.3.2000	14th March, 2000 to 13th March, 2010	6.60	10,000
			27,300
2002 Scheme			
7.1.2004	9th January, 2004 to 8th January, 2014	0.207	1,155,000
			1,182,300

Note: With effect from 15th April, 2003, every 20 issued and unissued shares of HK\$0.0005 each in the capital of the Company was consolidated into one new ordinary share of HK\$0.01 each in the share capital of the Company following the Capital Reorganisation. Accordingly, the exercise price and the number of share options were adjusted.

Notes to the Financial Statements
For the year ended 31st March, 2004

21. SHARE OPTIONS (Cont'd)

Total consideration received during the year from employees and consultants for taking up the options granted is amounted to HK\$10 (2003: Nil).

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the 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 lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

22. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000 (note)	Deficit HK\$'000	Total HK\$'000
THE COMPANY					
At 1st April, 2002	335,744	646	173,869	(534,711)	(24,452)
Expenses incurred in connection with issue of shares	(745)	-	-	-	(745)
Loss for the year	-	-	-	(53,273)	(53,273)
At 31st March, 2003	334,999	646	173,869	(587,984)	(78,470)
Capital reorganisation					
- Capital reduction (Note 20(1a))	-	-	233,203	-	233,203
- Cancellation of share premium (Note 20(1d))	(334,999)	-	334,999	-	-
- Set-off against the deficit (Note 20(1))	-	-	(535,894)	535,894	-
Exercise of share options	2,071	-	-	-	2,071
Loss for the year	-	-	-	(92,083)	(92,083)
At 31st March, 2004	2,071	646	206,177	(144,173)	64,721



Notes to the Financial Statements

For the year ended 31st March, 2004

22. RESERVES (Cont'd)

Note: The contributed surplus of the Company represents:

- (i) the difference between the underlying net assets of the subsidiaries acquired by the Company at the date of the group reorganisation in 1994 less any dividends distributed from the pre-reorganisation reserves and the nominal amount of the Company's share capital issued as consideration for the acquisition; and
- (ii) net balance from capital reduction, cancellation of share premium and set-off against the deficit pursuant to the capital reorganisation on 15th April, 2003.

In addition to the retained profits of the Company, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

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

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31st March, 2004 was HK\$62,004,000 (2003: Nil).

Notes to the Financial Statements

For the year ended 31st March, 2004

23. DISPOSAL OF SUBSIDIARIES/BUSINESS

	2004	2003
	HK\$'000	HK\$'000
Net assets disposed of:		
Property, plant and equipment	–	45
Investment property	–	6,000
Inventories	–	2,288
Debtors, deposits and prepayments	–	8,614
Bank balances and cash	–	865
Creditors and accrued charges	(20)	(9,207)
Amounts due to customers for contract work	–	(455)
Secured bank borrowings	–	(4,094)
	(20)	4,056
Loss on disposal of discontinuing operations	–	(713)
Gain (loss) on disposal of subsidiaries	30	(341)
Total consideration	10	3,002
Satisfied by:		
Cash	10	3,002
Net cash inflow arising on disposal:		
Cash consideration	10	3,002
Bank balances and cash disposed of	–	(865)
Net cash inflow arising on disposal	10	2,137

The subsidiaries disposed of during the year have no contribution (2003: HK\$7,331,000) to the Group's turnover and had a loss of HK\$39,000 (2003: HK\$5,246,000) included in the Group's results from operations.



Notes to the Financial Statements

For the year ended 31st March, 2004

24. ACQUISITION OF SUBSIDIARIES

On 24th December, 2003, the Group acquired 100% of the issued share capital of Asia Progress and Handsworth and loans of HK\$27,803,000, HK\$83,337,000 and HK\$14,000,000 owing by Asia Progress, Handsworth and Master Super Development Limited (“Master Super”), respectively, to Mr. Wong Chun Hong (“Mr. Wong”), the sole beneficial shareholder of Asia Progress and Handsworth and a director of Master Super, for total cash consideration of HK\$5. Details of the above are disclosed in note 28. This acquisition has been accounted for by the acquisition method of accounting. The amount of negative goodwill arising as a result of the acquisition was HK\$5,057,000.

	2004 HK\$'000	2003 HK\$'000
NET ASSETS ACQUIRED		
Investments in securities	–	12,712
Other borrowings	–	(12,712)
Minority interest	(124,879)	–
	<hr/>	<hr/>
Total consideration	(124,879)	–
	<hr/>	<hr/>
SATISFIED BY		
Cash	–	–
Legal and professional fees	261	–
Waiver of loans from former minority shareholder	(125,140)	–
	<hr/>	<hr/>
	(124,879)	–
	<hr/>	<hr/>

The subsidiaries acquired during the year ended 31st March, 2004 contributed HK\$11,158,000 to the Group's turnover and a profit of HK\$1,895,000 to the Group's results from operations.

During the year ended 31st March, 2003, the subsidiary was acquired at cash consideration of HK\$2 and did not have significant contribution to the Group's loss from operations.

Notes to the Financial Statements
For the year ended 31st March, 2004

25. CONTINGENT LIABILITIES

At 31st March, 2004, the Group had given an indemnity to the purchaser relating to unrecorded taxation liabilities, if any, and warranties relating to the affairs and businesses of a subsidiary disposed of in the previous year. The maximum aggregate liability of the Group in respect of all claims for breach of the warranties shall, when taken together with the aggregate liability of the Group in respect of all claims under the indemnity, not exceed the sum of HK\$60,000,000 (2003: HK\$60,000,000). All related claims may be brought against the Group up to the expiry of 10 years from 31st March, 1998.

At 31st March, 2004, the Company had outstanding corporate guarantees amounting to approximately HK\$114,000,000 (2003: HK\$118,400,000) issued in favour of banks to secure general banking facilities granted by the banks to its subsidiaries and had given guarantees to security companies in respect of the obligations of security accounts opened in the security companies by its subsidiaries.

26. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases for premises during the year was HK\$294,000 (2003: HK\$505,000).

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

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within one year	–	294
In the second to fifth year inclusive	–	374
	<hr/>	<hr/>
	–	668
	<hr/>	<hr/>

Operating lease payments represent rentals payable by the Group for certain of its office premises. As at 31st March, 2003, leases were negotiated and fixed for a term of three years.

The Company had no commitments under operating leases for both years.



Notes to the Financial Statements

For the year ended 31st March, 2004

26. OPERATING LEASE COMMITMENTS (Cont'd)

The Group as lessor

Property rental income earned during the year was HK\$374,000 (2003: HK\$809,000).

The investment property is expected to generate rental yields of 4.56% (2003: 3.28%) on an ongoing basis.

At 31st March, 2004, the Group had contracted with tenants for the future minimum lease payments amounting to HK\$90,000 (2003: HK\$152,000) which falls due within one year.

27. PLEDGE OF ASSETS

At 31st March, 2004, the Group's bank and other borrowings were secured by the following:

- (a) legal charges over the properties held for sale of the Group with a carrying value of HK\$116,846,000 (2003: HK\$168,306,000);
- (b) legal charges over the investment properties of a subsidiary, Fountain Property Limited, with a carrying value of HK\$8,200,000 (2003: Nil);
- (c) a share charge of a subsidiary, Master Super;
- (d) a floating charge on all the assets, including but not limited to the uncalled capital, of Master Super;
- (e) assignments of the right, title, interest and benefits in and under all the existing and future building contracts in respect of the Group's properties held for sale in Hong Kong;
- (f) the benefit under all insurance policies of the Group's properties held for sale in Hong Kong;
- (g) the future sales proceeds, rentals and other earnings generated from the Group's properties held for sale; and
- (h) subordination of shareholders' loans of Master Super.

In addition to (a) & (b) indicated above, at 31st March, 2003, the Group's other borrowings were also secured by other investments with a carrying value of HK\$9,765,000.

Notes to the Financial Statements
For the year ended 31st March, 2004

28. RELATED PARTY TRANSACTIONS

- (a) On 11th November, 2003, Cheung Tai Hong Holdings (Property) Limited (“CTH Property”), a wholly-owned subsidiary of the Company, entered into agreements with Mr. Wong in respect of the acquisition of the entire issued share capital of and loans to Asia Progress (the “Asia Progress Agreement”) and Handsworth (the “Handsworth Agreement”) (the “Acquisitions”). The Asia Progress Agreement and the Handsworth Agreement were completed on 24th December, 2003 (the “Completion Date”).

Pursuant to the Asia Progress Agreement, CTH Property had acquired the entire issued share capital of Asia Progress from Mr. Wong at a consideration of HK\$1 and accepted the assignment of the shareholder’s loan owing by Asia Progress to Mr. Wong as at the Completion Date of HK\$27,803,000 at a consideration of HK\$1. In addition, Mr. Wong had granted, before the Completion Date, an unsecured loan to Master Super, in a sum of HK\$14,000,000 and upon the Completion Date, assigned the said loan to CTH Property at a consideration of HK\$1. Pursuant to the Handsworth Agreement, CTH Property had acquired the entire issued share capital of Handsworth from Mr. Wong at a consideration of HK\$1 and accepted the assignment of the shareholder’s loan owing by Handsworth to Mr. Wong at the Completion Date of HK\$83,337,000 at a consideration of HK\$1. The sole investment of each of Asia Progress and Handsworth was the 10% and 30% shareholding interest in Master Super, respectively. After completion of the Asia Progress Agreement and Handsworth Agreement, Asia Progress, Handsworth and Master Super become wholly-owned subsidiaries of CTH Property. The Acquisitions were approved by shareholders at a special general meeting on 12th December, 2003.

- (b) During the year ended 31st March, 2003, Master Super, obtained additional shareholders’ loans of HK\$36,700,000 from the Group and two shareholder companies, Asia Progress and Handsworth, controlled by Mr. Wong. At 31st March, 2003, the outstanding balance of the loans from the Group and the shareholder companies amounted to approximately HK\$164,636,000 and HK\$109,758,000, respectively.

The loans were unsecured, interest free, repayable on demand and made on a pro rata basis with reference to the equity holding in Master Super. Details of the balance of the loans advanced by the above shareholder companies as at 31st March, 2003 are set out in note 19.

In addition, Mr. Wong and the Company had given guarantees amounting to HK\$112,000,000 (2003: HK\$194,000,000) in favour of a bank to secure banking facilities granted to Master Super. The guarantees were given on a pro rata basis with reference to the equity holding in Master Super without consideration.



Notes to the Financial Statements

For the year ended 31st March, 2004

28. RELATED PARTY TRANSACTIONS (Cont'd)

- (c) During the year ended 31st March, 2003, the Group received a sum of HK\$560,000 for sharing of administrative expenses from Top Universal Management Limited (“Top Universal”), a company in which Mr. Ding Chung Keung, Vincent and Ms. Lin Fung Yi, directors of the Company, were also directors. Mr. Tse Cho Tseung, director of the Company, was ex-director of and had beneficial interests in Top Universal. Top Universal was a wholly-owned subsidiary of Capital Estate Limited, a listed company on the Stock Exchange. The amount was negotiated by reference to prevailing market rates.

29. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution retirement benefits scheme for eligible employees. The assets of the scheme are separately held in funds under the control of trustees.

The cost charged to the consolidated income statement represents contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet dates, the Group had no significant forfeited contributions, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contributions payable by the Group in future years.

With effect from 1st December, 2000, the Group has also joined a Mandatory Provident Fund Scheme (the “MPF Scheme”) for employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. The contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

Notes to the Financial Statements
For the year ended 31st March, 2004

30. POST BALANCE SHEET EVENTS

Subsequent to 31st March, 2004, the Group has the following significant post balance sheet events:

- (a) Pursuant to the announcement on 24th March, 2004, Cheung Tai Hong (B.V.I.) Limited (“CTH (B.V.I.)”), a wholly-owned subsidiary of the Company and China Strategic Holdings Limited (“China Strategic”), its shares are listed on the Stock Exchange, entered into a sale and purchase agreement, pursuant to which CTH (B.V.I.) had agreed to acquire from China Strategic the entire equity interest in Tung Fong Hung Investment Limited (“Tung Fong Hung”) for a total consideration of HK\$42 million. Tung Fong Hung and its subsidiaries are principally engaged in the manufacture and sale of Tung Fong Hung branded Chinese pharmaceutical and health products and foodstuffs. The said consideration was settled as to HK\$6.5 million by the issue of a promissory note by the Company and as to HK\$35.5 million in cash.

On the same date, the Company, CTH (B.V.I.) and Chelson Limited (“Chelson”), a third party, entered into a sale and purchase agreement, pursuant to which CTH (B.V.I.) had acquired from Chelson its entire holding of 50% equity interest in Pacific Wins Development Ltd. (“Pacific Wins”) for a total consideration of HK\$28 million. The said consideration was settled as to HK\$6.5 million by a promissory note issued by the Company, as to HK\$15 million by a convertible note issued by the Company and as to HK\$6.5 million in cash. The remaining 50% equity interest in Pacific Wins is held by a wholly-owned subsidiary of Tung Fong Hung. Pacific Wins and its subsidiaries are principally engaged in the production, sales and distribution of western pharmaceutical products through Jean-Marie Pharmacal Company Limited, a wholly-owned subsidiary of Pacific Wins.

The above transactions were completed on 6th May, 2004. Upon the completion date, Tung Fong Hung and Pacific Wins become wholly-owned subsidiaries of the Company.

- (b) Pursuant to the provisional sale and purchase agreement dated 12th July, 2004, the Group disposed of its investment properties to an independent third party at a consideration of HK\$5,000,000.



Notes to the Financial Statements

For the year ended 31st March, 2004

31. SUBSIDIARIES

Particulars of the Company's subsidiaries at 31st March, 2004 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of issued share capital held by the Company		Principal activities
			Directly %	Indirectly %	
Asia Progress	British Virgin Islands	US\$1 ordinary share	–	100	Investment holding
CTH (B.V.I.)	British Virgin Islands	US\$50,000 ordinary shares	100	–	Investment holding
Cheung Tai Hong (China) Limited	Hong Kong	HK\$2 ordinary shares	–	100	Property holding
Cheung Tai Hong Holdings (Foods) Limited	Hong Kong	HK\$2 ordinary shares	–	100	Inactive
CTH Property	Hong Kong	HK\$10,000,000 ordinary shares	–	100	Investment holding
Cheung Tai Hong Holdings (REA) Limited	Hong Kong	HK\$2 ordinary shares	–	100	Inactive
Cheung Tai Hong Holdings (Technology) Limited	Hong Kong	HK\$2 ordinary shares	–	100	Investment holding

Notes to the Financial Statements
For the year ended 31st March, 2004

31. SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of issued share capital held by the Company		Principal activities
			Directly %	Indirectly %	
Cheung Tai Hong, Limited	Hong Kong	HK\$2,000 ordinary shares	–	100	Investment holding
		HK\$500,000 non-voting deferred shares (note)	–	–	
Fountain Property Limited	Hong Kong	HK\$2 ordinary shares	–	100	Property investment
Handsworth	British Virgin Islands	US\$1 ordinary share	–	100	Investment holding
King-Tech International Holdings Limited	Hong Kong	HK\$2 ordinary shares	–	100	Investment holding
Cheung Tai Hong Holdings (Motor Vehicle) Limited	Hong Kong	HK\$10,000 ordinary shares	–	100	Trading of motorcycles and spare parts
Master Super	Hong Kong	HK\$100 ordinary shares	–	100	Property holding and sale
Mega Wealth Limited	Hong Kong	HK\$2 ordinary shares	–	100	Inactive
Ponwell Limited	Hong Kong	HK\$2 ordinary shares	–	100	Inactive



Notes to the Financial Statements

For the year ended 31st March, 2004

31. SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of issued share capital held		Principal activities
			by the Company		
			Directly %	Indirectly %	
Profit View Limited	British Virgin Islands	US\$1 ordinary share	-	100	Investment holding
Sound Advice Investments Limited	British Virgin Islands	US\$100 ordinary shares	-	100	Investment holding
Sunray Power Limited	British Virgin Islands	US\$1 ordinary share	-	100	Investment holding

Note: The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies nor to participate in any distribution on winding up.

None of the subsidiaries had any debt securities outstanding at the balance sheet date or at any time during the year.

32. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Property – property investment and development
- Motorcycles – trading of motorcycles and spare parts

In August 2002, the business of trading of air conditioning equipment and provision of engineering related services was disposed of and discontinued.

Notes to the Financial Statements
For the year ended 31st March, 2004

32. SEGMENT INFORMATION (Cont'd)

Segment information about these businesses is presented below:

2004

	Continuing operations			Consolidated HK\$'000
	Motorcycles HK\$'000	Property HK\$'000	Unallocated HK\$'000	
INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004				
Turnover	15,864	47,650	-	<u>63,514</u>
Segment results	<u>664</u>	<u>(9,641)</u>	-	<u>(8,977)</u>
Unallocated corporate expenses				<u>(13,259)</u>
Loss from operations				<u>(22,236)</u>
Finance costs				<u>(15,585)</u>
Gain on disposal of subsidiaries		20	10	<u>30</u>
Loss before taxation				<u>(37,791)</u>
Taxation				<u>-</u>
Loss before minority interests				<u>(37,791)</u>
Minority interests				<u>(8,179)</u>
Loss for the year				<u>(29,612)</u>
BALANCE SHEET AT 31ST MARCH, 2004				
ASSETS				
Segment assets	1,977	132,995	-	<u>134,972</u>
Unallocated corporate assets				<u>97,289</u>
Consolidated total assets				<u>232,261</u>
LIABILITIES				
Segment liabilities	1,157	6,295	-	<u>7,452</u>
Unallocated corporate liabilities				<u>94,633</u>
Consolidated total liabilities				<u>102,085</u>



Notes to the Financial Statements

For the year ended 31st March, 2004

32. SEGMENT INFORMATION (Cont'd)

2004 (Cont'd)

	Continuing operations		Unallocated HK\$'000	Consolidated HK\$'000
	Motorcycles HK\$'000	Property HK\$'000		
OTHER INFORMATION				
Depreciation and amortisation	-	2	181	183
Allowance for properties held for sale	-	6,006	-	6,006
Deficit arising on revaluation of investment properties	-	8,800	-	8,800
Release of negative goodwill	-	747	-	747
Doubtful debt provided (recovered)	-	37	(57)	(20)

2003

	Continuing operations		Discontinuing operations	Consolidated HK\$'000
	Motorcycles HK\$'000	Property HK\$'000	Air conditioning equipment HK\$'000	
INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003				
Turnover	11,562	22,634	7,080	41,276
Segment results	(225)	(32,097)	(5,368)	(37,690)
Unallocated corporate expenses				(21,432)
Loss from operations				(59,122)
Finance costs				(5,156)
Loss on disposal of discontinuing operations	-	-	(713)	(713)
Loss on disposal of subsidiaries	-	(341)	-	(341)
Loss before taxation				(65,332)
Taxation				-
Loss before minority interests				(65,332)
Minority interests				(13,776)
Loss for the year				(51,556)

Notes to the Financial Statements
For the year ended 31st March, 2004

32. SEGMENT INFORMATION (Cont'd)

2003 (Cont'd)

	Continuing operations		Discontinuing operations	Consolidated
	Motorcycles HK\$'000	Property HK\$'000	Air conditioning equipment HK\$'000	
BALANCE SHEET				
<i>AT 31ST MARCH, 2003</i>				
ASSETS				
Segment assets	529	195,194	–	195,723
Unallocated corporate assets				153,155
Consolidated total assets				<u>348,878</u>
LIABILITIES				
Segment liabilities	44	14,150	–	14,194
Unallocated corporate liabilities				178,884
Consolidated total liabilities				<u>193,078</u>

	Continuing operations		Discontinuing operations	Unallocated	Consolidated
	Motorcycles HK\$'000	Property HK\$'000	Air conditioning equipment HK\$'000		
OTHER INFORMATION					
Capital additions	–	89	3	947	1,039
Depreciation and amortisation	–	22	6	260	288
Impairment loss recognised in respect of properties under development	–	25,421	–	–	25,421
Deficit arising on revaluation of investment properties	–	1,500	–	–	1,500
Doubtful debt provided	–	–	5,280	1,276	6,556



Notes to the Financial Statements

For the year ended 31st March, 2004

32. SEGMENT INFORMATION (Cont'd)

Geographical segments

The Group's operations are principally located in Hong Kong and the PRC. The Group's administrative function was carried out in Hong Kong and the PRC. In August 2002, the manufacturing function was disposed of and discontinued.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market		Loss from operations	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	63,514	34,196	(11,131)	(31,913)
PRC	—	7,080	1,548	(5,338)
	<u>63,514</u>	<u>41,276</u>	<u>(9,583)</u>	<u>(37,251)</u>
Corporate expenses			<u>(12,653)</u>	<u>(21,871)</u>
Loss from operations			<u>(22,236)</u>	<u>(59,122)</u>

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	232,261	347,648	—	1,039
PRC	—	1,230	—	—
	<u>232,261</u>	<u>348,878</u>	<u>—</u>	<u>1,039</u>