



1. GENERAL

China Conservational Power Holdings Limited (formerly known as “Hong Tong Holdings Limited”) (the “Company”) was incorporated in the Cayman Islands on 2 January 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands.

The Company is an investment holding company. Its subsidiaries are principally engaged in electrical engineering contracting, trading of electrical equipment and materials, internet travel booking services, investment holding, securities brokerage, company secretarial services and sea freight forwarding services. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 3 May 2001.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARD

In the current year, the Company and its subsidiaries (collectively referred as the “Group”) have adopted, for the first time, the following Hong Kong Financial Reporting Standard (“HKFRS”) issued by the Hong Kong Society of Accountants (“HKSA”). The term of HKFRS is inclusive of Statements of Standard Accounting Practice (“SSAP”)s and Interpretations approved by the HKSA.

Income taxes

The principal effect of the adoption of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax 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. The adoption of SSAP 12 (Revised) 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 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 31 March each year.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition.

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

Investments in subsidiaries

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

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, the interests in associates are stated at the Group's share of net assets of the associates less any identified impairment loss.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake economic activities which are subject to joint control.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in securities

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

At subsequent reporting dates, other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Revenue recognition

Revenue on installation contracts is recognised using the percentage of completion method by reference to the value of work carried out during the year.

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

Revenue from sea freight forwarding is recognised when the services are rendered, which generally coincides with the time of shipment.

Income from investments is recognised when the Group's rights to receive payment have been established.

Brokerage commission income is recognised on a trade date basis when services are rendered.

Securities handling charges are recognised when services are rendered.

Service income is recognised when services are rendered.

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

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the identifiable net assets at the date of acquisition of a subsidiary. Negative goodwill represents the excess over the purchase consideration of the fair value ascribed to the Group's share of the identifiable net assets at the date of acquisition of a subsidiary.

Goodwill arising on acquisition is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisition 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.

Upon the disposal of an investment in a subsidiary, the remaining balances of goodwill (positive and negative) attributable to the subsidiary is included in the determination of profit or loss on disposal.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss.

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

| | |
|------------------------|-----|
| Leasehold improvements | 20% |
| Furniture and fixtures | 25% |
| Other equipment | 25% |
| Motor vehicles | 25% |

The gain or loss arising from 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Installation contracts

When the outcome of an installation contract can be estimated reliably, contract revenue and costs are recognised in the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by surveys on work performed.

When the outcome of an installation contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Intangible asset

The intangible asset represents one trading right in the Stock Exchange which is stated at cost less accumulated amortisation and impairment loss. Amortisation is provided for to write off the cost of the asset over its estimated useful life, which is 5 years.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Development rights

Development rights held for resale are stated at the lower of cost or net realisable value.

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. An 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, 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.

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 and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and 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 tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint venture, 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.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 profits 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 is realised. Deferred tax is charged or credited to 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.

Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the leased assets to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding principal portions of leasing commitments are shown as obligations under finance leases. The finance costs, which represent the difference between the total leasing commitments and the original principal outstanding at the inception of the leases, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and their rentals payable are charged to the income statement on a straight line basis over the term of the relevant lease.

Retirement benefit schemes

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution schemes.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations 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 and are recognised as income or as expense in the year in which the operation is disposed of.



4. TURNOVER

Turnover represents the aggregate of the value of contract work carried out, sea freight forwarding service income, the proceeds from sales of goods, brokerage income, margin interest earned, company secretarial service income and internet travel booking service income during the year, and is analysed as follows:

| | 2004 HK\$'000 | 2003 HK\$'000 |
|----------------------------------------------------|------------------|------------------|
| Electrical engineering contracting | 104,812 | 168,749 |
| Sea freight forwarding service income | 34,637 | – |
| Sales of goods | 19,782 | 29,741 |
| Brokerage income from securities dealing | 4,960 | 516 |
| Margin interest from securities brokerage business | 1,400 | 520 |
| Company secretarial service income | 642 | – |
| Internet travel booking service income | 10 | 196 |
| | 166,243 | 199,722 |

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into five operating divisions. These divisions are the bases on which the Group reports its primary segment information. Principal activities are as follows:

- Electrical engineering contracting
- Sale of electrical goods
- Securities brokerage
- Sea freight forwarding services
- Internet travel booking services



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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

| | Electrical engineering contracting HK\$'000 | Sale of electrical goods HK\$'000 | Securities brokerage HK\$'000 | Sea freight forwarding services HK\$'000 | Internet travel booking services HK\$'000 | Others HK\$'000 | Elimina- tions HK\$'000 | Consoli- dated HK\$'000 |
|-------------------------------------------------------------|------------------------------------------------------|--------------------------------------------|-------------------------------------|------------------------------------------------------|-------------------------------------------------------|--------------------|-------------------------------|-------------------------------|
| For the year ended 31 March 2004 | | | | | | | | |
| TURNOVER | | | | | | | | |
| External sales | 104,812 | 19,782 | 6,360 | 34,637 | 10 | 642 | - | 166,243 |
| Inter-segment sales | - | 7,078 | 4 | - | - | 78 | (7,160) | - |
| Total revenue | 104,812 | 26,860 | 6,364 | 34,637 | 10 | 720 | (7,160) | 166,243 |
| Inter-segment sales are charged at prevailing market rates. | | | | | | | | |
| RESULTS | | | | | | | | |
| Segment results | 154 | 722 | 1,276 | 111 | (23,964) | (291) | - | (21,992) |
| Other operating income | | | | | | | | 3,334 |
| Unrealised holding gains on listed other investments | | | | | | | | 7,513 |
| Unallocated expenses | | | | | | | | (31,780) |
| Loss from operations | | | | | | | | (42,925) |
| Finance costs | | | | | | | | (326) |
| Share of results of associates | | | | | | | | (294) |
| Share of results of a joint venture | | | | | | | | (13,854) |
| Loss before taxation | | | | | | | | (57,399) |
| Taxation | | | | | | | | (86) |
| Loss before minority interests | | | | | | | | (57,485) |
| Minority interests | | | | | | | | 287 |
| Net loss for the year | | | | | | | | (57,198) |



5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

| | Electrical engineering contracting HK\$'000 | Sale of electrical goods HK\$'000 | Securities brokerage HK\$'000 | Sea freight forwarding services HK\$'000 | Internet travel booking services HK\$'000 | Others HK\$'000 | Unallocated HK\$'000 | Consoli- dated HK\$'000 |
|------------------------------------------------------------------|------------------------------------------------------|--------------------------------------------|-------------------------------------|------------------------------------------------------|-------------------------------------------------------|--------------------|-------------------------|-------------------------------|
| As at 31 March 2004 | | | | | | | | |
| ASSETS | | | | | | | | |
| Segment assets | 31,224 | 5,902 | 30,330 | 1,660 | 1,122 | 1,987 | - | 72,225 |
| Interests in associates | | | | | | | | 6,063 |
| Interest in a joint venture | | | | | | | | 2,601 |
| Unallocated corporate assets | | | | | | | | 202,929 |
| Consolidated total assets | | | | | | | | 283,818 |
| LIABILITIES | | | | | | | | |
| Segment liabilities | 24,992 | 3,750 | 14,331 | 225 | 7,726 | 237 | - | 51,261 |
| Unallocated corporate liabilities | | | | | | | | 12,910 |
| Consolidated total liabilities | | | | | | | | 64,171 |
| OTHER INFORMATION | | | | | | | | |
| Additions of property, plant and equipment and intangible assets | 12 | 278 | 484 | - | - | 1,899 | 1,059 | 3,732 |
| Amortisation of goodwill and trading right | - | - | 251 | - | 1,423 | 78 | - | 1,752 |
| Depreciation | 338 | 139 | 375 | - | 257 | 4 | 2,444 | 3,557 |
| Impairment losses recognised in income statement | - | - | - | - | 22,010 | - | - | 22,010 |
| Allowance for doubtful debts | - | 187 | - | - | - | - | - | 187 |
| Bad debts written off | - | - | - | - | - | 11 | - | 11 |
| Loss on disposal of property, plant and equipment | - | 99 | - | - | - | - | 4 | 103 |



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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

| | Electrical engineering contracting HK\$'000 | Sale of electrical goods HK\$'000 | Securities brokerage HK\$'000 | Internet travel booking services HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|-------------------------------------------------------------|------------------------------------------------------|--------------------------------------------|-------------------------------------|-------------------------------------------------------|--------------------------|--------------------------|
| For the year ended 31 March 2003 | | | | | | |
| TURNOVER | | | | | | |
| External sales | 168,749 | 29,741 | 1,036 | 196 | – | 199,722 |
| Inter-segment sales | – | 21,065 | – | – | (21,065) | – |
| Total revenue | 168,749 | 50,806 | 1,036 | 196 | (21,065) | 199,722 |
| Inter-segment sales are charged at prevailing market rates. | | | | | | |
| RESULTS | | | | | | |
| Segment results | (717) | (2,884) | (3,347) | (2,958) | – | (9,906) |
| Other operating income | | | | | | 2,884 |
| Unrealised holding gains on listed other investments | | | | | | 2,524 |
| Unrealised holding loss on unlisted other investments | | | | | | (2,500) |
| Unallocated expenses | | | | | | (30,070) |
| Loss from operations | | | | | | (37,068) |
| Finance costs | | | | | | (106) |
| Share of results of associates | | | | | | (629) |
| Share of results of a joint venture | | | | | | (2,645) |
| Loss before taxation | | | | | | (40,448) |
| Taxation | | | | | | (113) |
| Loss before minority interests | | | | | | (40,561) |
| Minority interests | | | | | | 6 |
| Net loss for the year | | | | | | (40,555) |



5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

| | Electrical engineering contracting HK\$'000 | Sale of electrical goods HK\$'000 | Securities brokerage HK\$'000 | Internet travel booking services HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|------------------------------------------------------------------------|------------------------------------------------------|--------------------------------------------|-------------------------------------|-------------------------------------------------------|-------------------------|--------------------------|
| As at 31 March 2003 | | | | | | |
| ASSETS | | | | | | |
| Segment assets | 32,058 | 13,122 | 11,347 | 24,220 | – | 80,747 |
| Interests in associates | | | | | | 6,357 |
| Interest in a joint venture | | | | | | 16,455 |
| Unallocated corporate assets | | | | | | 131,783 |
| Consolidated total assets | | | | | | 235,342 |
| LIABILITIES | | | | | | |
| Segment liabilities | 26,911 | 6,190 | 768 | 6,874 | – | 40,743 |
| Unallocated corporate liabilities | | | | | | 10,793 |
| Consolidated total liabilities | | | | | | 51,536 |
| OTHER INFORMATION | | | | | | |
| Additions of property, plant and equipment and intangible assets | 480 | 141 | 3,871 | 26,392 | 10,227 | 41,111 |
| Amortisation of goodwill and trading right | – | – | 476 | 1,067 | – | 1,543 |
| Depreciation | 283 | 238 | 197 | 232 | 1,847 | 2,797 |
| Impairment losses recognised in income statement | – | – | 900 | 1,112 | – | 2,012 |
| Allowance for doubtful debts | – | 1,469 | – | – | – | 1,469 |
| Bad debts written off | 499 | 452 | – | – | – | 951 |
| Loss on disposal of property, plant and equipment | – | – | – | – | 23 | 23 |

(b) Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC"). The Group's electrical engineering contracting, sales of electrical goods, securities brokerage and sea freight forwarding services are located in Hong Kong. Internet travel booking services are located in the PRC.

Over 90% of the Group's revenues during the two years ended 31 March 2004 were from Hong Kong. Accordingly, no geographical information on revenue is presented.



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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(b) Geographical segments (Continued)

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

| | Carrying amount of consolidated total assets At 31 March | | Additions to property, plant, equipment and intangible assets For the year ended 31 March | |
|-----------|-------------------------------------------------------------------|------------------|-------------------------------------------------------------------------------------------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 |
| Hong Kong | 203,662 | 150,833 | 3,732 | 14,719 |
| The PRC | 80,083 | 84,466 | – | 26,392 |
| | 283,745 | 235,299 | 3,732 | 41,111 |
| Others | 73 | 43 | – | – |
| | 283,818 | 235,342 | 3,732 | 41,111 |

6. OTHER OPERATING INCOME

| | 2004 HK\$'000 | 2003 HK\$'000 |
|---------------------------------------------------------------|------------------|------------------|
| Other operating income includes: | | |
| Exchange gain | – | 48 |
| Gain on disposal of investments in unlisted other investments | 500 | – |
| Handling charges | 267 | 125 |
| Interest income | 2,635 | 1,282 |
| Unlisted investment income | – | 1,241 |
| Sundry income | 199 | 313 |
| | 3,601 | 3,009 |

7. IMPAIRMENT LOSSES

| | 2004 HK\$'000 | 2003 HK\$'000 |
|-------------------------------------------------------------|------------------|------------------|
| Impairment losses in respect of: | | |
| Trading right in respect of securities trading | – | 900 |
| Goodwill arising from acquisition of subsidiaries (Note 16) | 22,010 | 1,112 |
| | 22,010 | 2,012 |



8. LOSS FROM OPERATIONS

| | 2004 HK\$'000 | 2003 HK\$'000 |
|---------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Loss from operations has been arrived at after charging: | | |
| Allowance for doubtful debts | 187 | 1,469 |
| Amortisation of goodwill arising on acquisition of subsidiaries included in administrative expenses (Note 16) | 1,501 | 1,067 |
| Amortisation of trading right in respect of securities trading included in administrative expenses (Note 19) | 251 | 476 |
| Auditors' remuneration | 484 | 616 |
| Bad debts written off | 11 | 951 |
| Cost of inventories recognised as expense | 13,140 | 34,244 |
| Depreciation of property, plant and equipment | | |
| Owned assets | 3,387 | 2,734 |
| Assets under finance leases | 170 | 63 |
| Exchange losses | 105 | 614 |
| Loss on disposal of property, plant and equipment | 103 | 23 |
| Operating lease rentals in respect of | | |
| – rented premises | 4,497 | 5,552 |
| – motor vehicles | 647 | 173 |
| Staff costs | | |
| Directors' remuneration (Note 9) | | |
| – fees | 179 | 327 |
| – other emoluments | 5,926 | 10,608 |
| – retirement benefit scheme contributions | 38 | 148 |
| | 6,143 | 11,083 |
| Other staff costs | 17,870 | 15,096 |
| Other staff retirement benefit scheme contributions | 595 | 576 |
| | 18,465 | 15,672 |
| Total staff costs | 24,608 | 26,755 |



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

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

| | 2004 HK\$'000 | 2003 HK\$'000 |
|---------------------------------------------|------------------|------------------|
| Fees: | | |
| Executive directors | – | – |
| Independent non-executive directors | 179 | 327 |
| | 179 | 327 |
| Other emoluments for executive directors: | | |
| Salaries and other benefits | 5,926 | 9,088 |
| Performance related incentive payment | – | 1,520 |
| Contributions to retirement benefit schemes | 38 | 148 |
| | 5,964 | 10,756 |
| | 6,143 | 11,083 |

Note: The directors' salaries and other benefits include operating lease rentals amounting to HK\$2,218,000 (2003: HK\$2,373,000) in respect of rented premises provided to directors. The amounts are also included in the minimum lease payments paid in respect of rented premises under note 8 above.

The emoluments of the directors were within the following bands:

| | 2004 Number of directors | 2003 Number of directors |
|--------------------------------|--------------------------------|--------------------------------|
| Nil to HK\$1,000,000 | 7 | 9 |
| HK\$1,000,001 to HK\$1,500,000 | 1 | – |
| HK\$1,500,001 to HK\$2,000,000 | – | 2 |
| HK\$3,000,001 to HK\$3,500,000 | – | 1 |
| HK\$3,500,001 to HK\$4,000,000 | 1 | – |
| | 9 | 12 |



9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments of the Group, three (2003: three) were directors of the Company whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining two (2003: two) highest paid individuals were as follows:

| | 2004 HK\$'000 | 2003 HK\$'000 |
|---------------------------------------------|------------------|------------------|
| Salaries and benefits | 2,142 | 4,295 |
| Contributions to retirement benefit schemes | 47 | 129 |
| | 2,189 | 4,424 |

The emoluments of the employees were within the following bands:

| | 2004 Number of employees | 2003 Number of employees |
|--------------------------------|--------------------------------|--------------------------------|
| Nil to HK\$1,000,000 | 1 | 1 |
| HK\$1,000,001 to HK\$1,500,000 | 1 | – |
| HK\$3,500,001 to HK\$4,000,000 | – | 1 |
| | 2 | 2 |

Note: During the year ended 31 March 2003, two directors of the Company resigned and remained as employees of the Group. Their remuneration as directors amounting to HK\$3,530,000 already disclosed in (a) above have also been taken into account with other remuneration received as employees of the Group for the determination of the two highest paid individuals during the year ended 31 March 2003. Accordingly, the remuneration of the remaining two highest paid individuals as disclosed above includes their remuneration as directors of HK\$3,530,000.

10. FINANCE COSTS

| | 2004 HK\$'000 | 2003 HK\$'000 |
|-------------------------------------------------------------------------------|------------------|------------------|
| Interest on bank borrowings and overdrafts wholly repayable within five years | 310 | 87 |
| Interest on obligations under finance leases | 16 | 19 |
| | 326 | 106 |



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

11. TAXATION

| | 2004 HK\$'000 | 2003 HK\$'000 |
|--------------------------------------------------|------------------|------------------|
| The charge comprises: | | |
| Company and subsidiaries | | |
| Hong Kong Profits Tax | | |
| Current year | 324 | 465 |
| Overprovision in prior years | (238) | (366) |
| | 86 | 99 |
| Share of taxation attributable to the associates | | |
| Taxation in other jurisdictions | – | 14 |
| | 86 | 113 |

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the year.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.



11. TAXATION (Continued)

Taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

| | 2004 | | 2003 | |
|--------------------------------------------------------------------------------|----------|-------|----------|--------|
| | HK\$'000 | % | HK\$'000 | % |
| Loss before taxation | 57,399 | | 40,448 | |
| Tax credit at the domestic income tax rate of 17.5% (2003: 16%) | 10,045 | 17.5 | 6,472 | 16.0 |
| Tax effect of share of results of associates | (51) | (0.1) | (115) | (0.3) |
| Tax effect of share of results of a joint venture | (2,425) | (4.2) | (423) | (1.1) |
| Tax effect of expenses that are not deductible in determining taxable profit | (4,292) | (7.5) | (946) | (2.3) |
| Tax effect of income that is not taxable in determining taxable profit | 1,411 | 2.5 | 297 | 0.7 |
| Tax effect of tax losses not recognised | (5,377) | (9.4) | (5,476) | (13.5) |
| Tax effect of tax losses utilised but not previously recognised | 256 | 0.5 | – | – |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 82 | 0.1 | 129 | 0.3 |
| Overprovision in prior years | 238 | 0.4 | 366 | 0.9 |
| Others | 27 | 0.1 | (417) | (1.0) |
| Taxation charge for the year | (86) | (0.1) | (113) | (0.3) |

Details of deferred taxation are disclosed in note 44 to the financial statements.

12. DIVIDENDS

No dividend has been paid or declared by the Company during the year.

The directors do not recommend the payment of a final dividend.



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

13. LOSS PER SHARE

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

| | 2004 HK\$'000 | 2003 HK\$'000 |
|-------------------------------------------------------------------------------------|------------------|------------------|
| Loss for the purposes of basic loss per share | (57,198) | (40,555) |
| | '000 | '000 |
| Weighted average number of ordinary shares for the purposes of basic loss per share | 247,697 | 218,649 |

No diluted loss per share has been presented as the exercise of the Company's outstanding share options would result in a decrease in the loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK\$'000 | Furniture and fixtures HK\$'000 | Office equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|--------------------------------------------|---------------------------------------|------------------------------------------|---------------------------------|-------------------------------|-------------------|
| THE GROUP | | | | | |
| COST | | | | | |
| At 1 April 2003 | 5,421 | 5,522 | 3,933 | 2,479 | 17,355 |
| Additions | 987 | 42 | 82 | 722 | 1,833 |
| Acquired on acquisition of subsidiaries | – | 3 | 22 | – | 25 |
| Disposals | (121) | (87) | (180) | (375) | (763) |
| At 31 March 2004 | 6,287 | 5,480 | 3,857 | 2,826 | 18,450 |
| DEPRECIATION | | | | | |
| At 1 April 2003 | 995 | 2,184 | 2,031 | 507 | 5,717 |
| Provided for the year | 1,142 | 1,162 | 619 | 634 | 3,557 |
| Acquired on acquisition of subsidiaries | – | – | 2 | – | 2 |
| Eliminated on disposals | (103) | (70) | (140) | (156) | (469) |
| At 31 March 2004 | 2,034 | 3,276 | 2,512 | 985 | 8,807 |
| NET BOOK VALUES | | | | | |
| At 31 March 2004 | 4,253 | 2,204 | 1,345 | 1,841 | 9,643 |
| At 31 March 2003 | 4,426 | 3,338 | 1,902 | 1,972 | 11,638 |



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

The net book value of motor vehicles of HK\$1,841,000 (2003: HK\$1,972,000) as at the balance sheet date included an amount of HK\$530,000 (2003: HK\$559,000) in respect of assets held under finance leases.

| | Office equipment HK\$'000 |
|--------------------------------------|---------------------------------|
| THE COMPANY | |
| COST | |
| At 1 April 2003 and at 31 March 2004 | 157 |
| DEPRECIATION | |
| At 1 April 2003 | 16 |
| Provided for the year | 39 |
| At 31 March 2004 | 55 |
| NET BOOK VALUES | |
| At 31 March 2004 | 102 |
| At 31 March 2003 | 141 |

15. INVESTMENTS IN SUBSIDIARIES

| | THE COMPANY 2004 & 2003 HK\$'000 |
|-----------------|----------------------------------------|
| Unlisted shares | 14,796 |

The carrying value of the unlisted shares is based on the fair values of the underlying net assets of the subsidiaries at the time they became members of the Group under the corporate reorganisation in April 2001 less any pre-acquisition dividend received.

Particulars of the Company's principal subsidiaries at 31 March 2004 are set out in note 49.



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

16. GOODWILL

| | THE GROUP HK\$'000 |
|--------------------------------------------------------|-----------------------|
| COST | |
| At 1 April 2003 | 25,612 |
| Arising on acquisition of subsidiaries during the year | 1,876 |
| At 31 March 2004 | 27,488 |
| AMORTISATION AND IMPAIRMENT | |
| At 1 April 2003 | 2,179 |
| Charge for the year | 1,501 |
| Impairment loss recognised for the year | 22,010 |
| At 31 March 2004 | 25,690 |
| NET BOOK VALUES | |
| At 31 March 2004 | 1,798 |
| At 31 March 2003 | 23,433 |

The amortisation period adopted for goodwill is 20 years.

As at the balance sheet date, an impairment loss of HK\$22,010,000 (2003: HK\$1,112,000) has been recognised in respect of the goodwill arising from the acquisition of internet travel booking business as the directors considered that the recoverable amount of the goodwill is minimal due to its continuing operating losses.



17. INTERESTS IN ASSOCIATES

| | THE GROUP | |
|---------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Share of net assets | 6,063 | 6,357 |

Particulars of the associates as at 31 March 2004 are as follows:

| Name of associate | Form of business structure | Place of incorporation/ operation | Class of shares held | Percentage of equity interest held | Principal activities |
|-----------------------------------|----------------------------|-----------------------------------|----------------------|------------------------------------|----------------------|
| Goldluck Investment Limited | Incorporated | Hong Kong/ Hong Kong | Ordinary | 50% | Inactive |
| Bright Rich International Limited | Incorporated | Hong Kong/ Hong Kong | Ordinary | 50% | Inactive |
| Sharpway Enterprises Limited | Incorporated | British Virgin Islands/The PRC | Ordinary | 50% | Inactive |

18. INTEREST IN A JOINT VENTURE

| | THE GROUP | |
|---------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Share of net assets | 2,601 | 16,455 |

As at 31 March 2004, the Company had an interest in the following joint venture:

| Name of company | Form of business structure | Place of incorporation and operation | Class of capital held | Attributable equity interest held by the Group | Principal activities |
|-------------------------------------------------------------|----------------------------|--------------------------------------|-----------------------|------------------------------------------------|------------------------------------------------------------|
| Dagong Credit Information Service Co., Ltd. 大公信用信息服務有限公司 | Incorporated | The PRC | Registered capital | 50% | Provision of credit information rating services in the PRC |



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

19. INTANGIBLE ASSET

| | THE GROUP HK\$'000 |
|--------------------------------------|-----------------------|
| COST | |
| At 1 April 2003 and at 31 March 2004 | 2,380 |
| AMORTISATION AND IMPAIRMENT | |
| At 1 April 2003 | 1,376 |
| Charge for the year | 251 |
| At 31 March 2004 | 1,627 |
| NET BOOK VALUES | |
| At 31 March 2004 | 753 |
| At 31 March 2003 | 1,004 |

The intangible asset represents one trading right in the Stock Exchange. For the year ended 31 March 2003, an impairment loss of HK\$900,000 was recognised for the intangible asset by reference to the market value of that trading right.

20. OTHER ASSETS

| | THE GROUP | |
|-----------------------------------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| The Stock Exchange | | |
| – Compensation fund deposits | 50 | 50 |
| – Fidelity fund deposits | 50 | 50 |
| – Stamp duty deposits | 30 | 5 |
| Hong Kong Securities Clearing Company Limited | | |
| – Guarantee fund contribution | 190 | 50 |
| – Admission fees | 50 | 50 |
| At 31 March | 370 | 205 |



21. INVESTMENTS IN SECURITIES

| | THE GROUP | |
|-----------------------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Other investments | | |
| Equity securities: | | |
| Listed, Hong Kong | 16,660 | 7,443 |
| Unlisted | 10,700 | 15,700 |
| At 31 March | 27,360 | 23,143 |
| Market value of listed securities | 16,660 | 7,443 |

22. RETENTION MONEY RECEIVABLE

| | THE GROUP | |
|------------------------------------------------------------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Retention money receivable | 10,077 | 10,300 |
| Less: Amounts receivable within one year included in current assets | (4,857) | (1,304) |
| Amounts receivable after one year | 5,220 | 8,996 |

The amounts represent retention money in respect of the progress payments receivable on contract work.

23. DEVELOPMENT RIGHTS

The carrying amount represents the consideration paid by the Group for the acquisition of the development rights of a piece of land under a medium term lease in the New Territories, Hong Kong. The rights are held for resale.

24. INVENTORIES

| | THE GROUP | |
|----------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Finished goods | 1,187 | 5,388 |

Included above are finished goods of nil (2003: HK\$894,000) which were carried at net realisable value as at the balance sheet date.



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

25. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

| | THE GROUP | |
|---------------------------------------------------------------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Contract costs incurred plus recognised profits less recognised losses | 142,599 | 247,147 |
| Less: Progress billings | (133,893) | (242,967) |
| | 8,706 | 4,180 |

26. PROGRESS PAYMENTS RECEIVABLE

The aged analysis of progress payments receivable is as follows:

| | THE GROUP | |
|--------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| 0 to 30 days | 9,162 | 12,773 |
| 31 to 60 days | 428 | 179 |
| 61 to 90 days | – | 109 |
| 91 to 180 days | – | 297 |
| More than 180 days | 1,876 | 3,122 |
| | 11,466 | 16,480 |

27. LOANS RECEIVABLE

| | THE GROUP | |
|------------------------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Loans receivable, interest bearing | 38,795 | 9,444 |
| Margin receivables (Note) | 16,950 | 8,748 |
| | 55,745 | 18,192 |

Note: Margin receivables represent loans to securities margin clients which are secured by clients' pledged securities. These are repayable on demand and bear interest at prevailing market rates. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

28. AMOUNT DUE FROM AN INVESTEE COMPANY

The amount due from an investee is unsecured, interest bearing and has no fixed terms of repayment.



29. AMOUNTS DUE FROM (TO) ASSOCIATES

The amounts due from (to) associates are unsecured, interest free and have no fixed terms of repayment.

30. ACCOUNTS RECEIVABLE

The credit period allowed by the Group to its customers is normally 90 days.

The aged analysis of accounts receivable is as follows:

| | THE GROUP | |
|--------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| 0 to 30 days | 12,513 | 2,930 |
| 31 to 60 days | 1,226 | 1,203 |
| 61 to 90 days | 5,864 | 1,469 |
| 91 to 180 days | 305 | 427 |
| More than 180 days | 248 | 445 |
| | 20,156 | 6,474 |

31. INVESTMENT DEPOSITS

| | THE GROUP | |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Investment deposits comprise of: | | |
| Deposit for acquisition of an investment engaged in technology development for application in waste incineration and process (note a) | 10,000 | – |
| Deposit for investment engaged in operating container depots and provision of logistics management services business (note b) | 21,231 | – |
| Deposit for formation of a joint venture (note c) | 10,000 | 10,000 |
| Deposit for acquisition of other investments (note d) | 4,000 | – |
| Deposit for acquisition of interests in a PRC company (note e) | – | 12,000 |
| | 45,231 | 22,000 |
| Carrying amount analysed for reporting purposes as: | | |
| Current assets | 24,000 | 22,000 |
| Non-current assets | 21,231 | – |
| | 45,231 | 22,000 |



31. INVESTMENT DEPOSITS *(Continued)*

Notes:

- (a) The deposit was paid in accordance with a deposit payment agreement entered into on 9 March 2004 with an independent third party in connection with the proposed acquisition of a 32.89% interest in a PRC company, which holds certain technology for application in waste incineration and processing. The Group has commenced but yet to complete the due diligence exercise in respect of the affairs of the PRC company within three months from the date of the letter of intent which was entered into on 17 February 2004. The deposit is refundable should the Group be not satisfied with the results of the due diligence exercise. The completion of the due diligence exercise and the proposed acquisition was extended to 9 September 2004 (Note 48 (c)).
- (b) On 29 March 2004, the Group entered into a conditional agreement with an independent third party to acquire a 40% interest in and an account receivable from a company which holds effectively 100% interest in a PRC company operating container depots and the provision of logistics management services for a consideration of HK\$ 28,000,000, against which a deposit of HK\$21,231,000 was paid. The transaction was completed in April 2004.
- (c) The deposit for formation of a joint venture represents the amount paid in May 2002 under a letter of intent to the PRC party to a joint venture for the formation of a Sino-foreign joint venture in the PRC, in which the Group will own 49%. The joint venture is to be principally engaged in consultancy and advisory services in respect of various construction engineering. Under the joint venture agreement entered into on 19 December 2002, the Group is required to invest RMB4,802,000 (approximately HK\$4,530,000) in the joint venture upon the granting of the business licence of the joint venture. The funds required for the capital injection to the joint venture will be out of the deposit paid. The balance of the deposit together with interest at the rate of 1.75% per annum will be refunded. As at the date of this report, the business licence has not been granted.
- (d) The deposit represents the amounts for the intended acquisition of the investments which were subsequent cancelled after the balance sheet date and the deposit was refunded.
- (e) At 31 March 2003, the amount represented the deposit paid to a PRC company in accordance with a letter of intent dated 5 August 2002 relating to the investment in not more than 24.9% of the enlarged equity interest in the PRC company, which was entered into between the PRC company and a subsidiary of the Company. On 5 May 2003, the Group served a written notice to the PRC company to suspend the proposed investment. The investment deposit paid together with interest thereon was recovered during the year.



32. RETENTION MONEY PAYABLE

| | THE GROUP | |
|-----------------------------------------------------------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Retention money payable | 3,460 | 3,852 |
| Less: Amounts payable within one year included in current liabilities | (1,710) | (939) |
| Amounts payable after one year | 1,750 | 2,913 |

The amounts represent retention money payable to subcontractors on contract work.

33. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

Included in accounts payable, other payables and accrued charges are trade creditors amounting to HK\$14,548,000 (2003: HK\$8,002,000). The aged analysis of trade creditors is as follows:

| | THE GROUP | |
|--------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| 0 to 30 days | 4,474 | 3,531 |
| 31 to 60 days | 2,466 | 1,556 |
| 61 to 90 days | 2,765 | 1,085 |
| 91 to 180 days | 1,264 | 810 |
| More than 180 days | 3,579 | 1,020 |
| | 14,548 | 8,002 |



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

34. OBLIGATIONS UNDER FINANCE LEASES

| | THE GROUP | | | |
|--------------------------------------------------|------------------------|------------------|-----------------------------------------|------------------|
| | Minimum lease payments | | Present value of minimum lease payments | |
| | 2004 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 |
| Amounts payable under finance leases: | | | | |
| Within one year | 252 | 248 | 235 | 231 |
| More than one year but not exceeding two years | 166 | 189 | 155 | 178 |
| More than two years but not exceeding five years | 27 | 84 | 25 | 80 |
| | 445 | 521 | 415 | 489 |
| Less: Future finance charges | (30) | (32) | – | – |
| Present value of lease obligations | 415 | 489 | 415 | 489 |
| Less: Amounts due for settlement within one year | | | (235) | (231) |
| Amounts due for settlement after one year | | | 180 | 258 |

35. BORROWINGS

| | THE GROUP | |
|----------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Bank overdraft | 4,466 | 1,077 |
| Secured | 4,466 | 827 |
| Unsecured | – | 250 |
| | 4,466 | 1,077 |



36. SHARE CAPITAL

| | Number of shares | Amount HK\$'000 |
|----------------------------------------------------------------|---------------------|--------------------|
| Shares of HK\$0.10 each | | |
| Authorised: | | |
| Balance as at 1 April 2002, 31 March 2003 and 31 March 2004 | 1,000,000,000 | 100,000 |
| Issued and fully paid: | | |
| Balance as at 1 April 2002 | 200,000,000 | 20,000 |
| Shares issued on 19 June 2002 (note 1) | 23,800,000 | 2,380 |
| Balance as at 31 March 2003 | 223,800,000 | 22,380 |
| Shares issued on 21 October 2003 (note 2) | 44,760,000 | 4,476 |
| Shares issued on 5 March 2004 (note 3) | 53,712,000 | 5,371 |
| Balance as at 31 March 2004 | 322,272,000 | 32,227 |

Notes:

1. On 19 June 2002, the Company placed a total of 23,800,000 new shares of HK\$0.10 each of the Company at a consideration of HK\$5.13 per share, through Kingston Securities Limited and Sanfull Securities Limited, to independent investors pursuant to the placing and underwriting agreement dated 21 May 2002. The net proceeds of the placing amounted to approximately HK\$118 million, of which up to approximately HK\$50 million was to be retained for the business operation of a new joint venture company to be established in the PRC and the remaining balance of approximately HK\$68 million was to be retained for the future operation of a new securities firm established by the Company in Hong Kong. The new shares issued rank pari passu with the then existing shares in issue in all respects.
2. On 21 October 2003, the Company placed a total of 44,760,000 new shares of HK\$0.10 each of the Company at a consideration of HK\$1.18 per share, through Sanfull Securities Limited, to independent investors pursuant to the placing and underwriting agreement dated 19 September 2003. The net proceeds of the placing amounted to approximately HK\$51.1 million and will be used for making future investments, inter alia, the acquisition of the proposed investment in a company incorporated in the British Virgin Islands, which has no assets and business operations and is a special purpose vehicle for entering into the co-operation agreement with a PRC party which is a specialist in waste processing and disposal in the PRC. In the event that no appropriate investment opportunity is identified, the net proceeds will be retained by the Group for general working capital purpose. The new shares issued rank pari passu with the then existing shares in issue in all respects.
3. On 5 March 2004, the Company placed a total of 53,712,000 new shares of HK\$0.10 each of the Company at a consideration of HK\$0.80 per share, through Kingston Securities Limited, to independent investors pursuant to the placing underwriting agreement dated 17 February 2004. The net proceeds of the placing amounted to approximately HK\$41.6 million and will be applied towards partial funding the Group's portion of capital contribution to a joint venture to be established for the waste incineration and processing business. The new shares issued rank pari passu with the then existing shares in issue in all respects.



37. SHARE OPTIONS

The Company had a share option scheme (the "2001 share option scheme") which was adopted on 3 April 2001. Pursuant to a shareholders' resolution dated 12 February 2003, the 2001 share option scheme enabling the directors to grant options to employees, including executive directors of the Company and its subsidiaries, to subscribe for shares of the Company was terminated.

A new share option scheme (the "New Option Scheme") was approved and adopted by the shareholders of the Company on 12 February 2003. The New Option Scheme is valid and effective for a period of 10 years after the date of adoption. Outstanding options granted pursuant to the 2001 share option scheme shall continue to be subject to the provisions of the 2001 share option scheme and the adoption of the New Option Scheme will not in any event affect the terms of the grant of such outstanding options.

Under the terms of the New Option Scheme, the directors of the Company may, at their discretion, grant options to the full-time employees, including executive directors of the Company and its subsidiaries, to subscribe for shares of the Company for recognition of their contribution as incentives or rewards. Options granted must be taken up within 30 days of the date of grant. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for shares of the Company during a period of 5 years commencing on the date of acceptance of the option at a price not less than the higher of (i) the nominal value of the shares of the Company, (ii) the closing price of the shares of the Company on the Stock Exchange on the date of grant and (iii) the average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. Subject to the shareholders' approval, the maximum number of shares in respect of which options may be granted under the New Option Scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any employee may not exceed 1% of the shares in issue from time to time in a 12-month period. Subject to the entitlements of dividends, bonus, rights declared before the exercise of options, any shares allotted and issued on the exercise of an option will rank *pari passu* with the other shares in issue at the date of exercise of the relevant option.

At 31 March 2004, the number of shares in respect of which options had been granted and remaining outstanding under share option schemes of the Company was 24,680,000 (2003: 8,500,000), representing 7.7% (2003: 3.8%) of the shares of the Company in issue at that date.



37. SHARE OPTIONS (Continued)

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

For the year ended 31 March 2004

| Option type | Outstanding at 1 April 2003 | Granted during the year | Lapsed during the year | Outstanding at 31 March 2004 |
|-------------|-----------------------------|-------------------------|------------------------|------------------------------|
| 2002A | 2,000,000 | – | – | 2,000,000 |
| 2003A | 500,000 | – | – | 500,000 |
| 2003B | 2,000,000 | – | (2,000,000) | – |
| 2003C | 2,000,000 | – | – | 2,000,000 |
| 2003D | 2,000,000 | – | – | 2,000,000 |
| 2004A | – | 2,400,000 | (200,000) | 2,200,000 |
| 2004B | – | 10,600,000 | – | 10,600,000 |
| 2004C | – | 5,380,000 | – | 5,380,000 |
| Total | 8,500,000 | 18,380,000 | (2,200,000) | 24,680,000 |

For the year ended 31 March 2003

| Option type | Outstanding at 1 April 2002 | Granted during the year | Lapsed during the year | Outstanding at 31 March 2003 |
|-------------|-----------------------------|-------------------------|------------------------|------------------------------|
| 2002A | 4,000,000 | – | (2,000,000) | 2,000,000 |
| 2002B | 500,000 | – | (500,000) | – |
| 2003A | – | 500,000 | – | 500,000 |
| 2003B | – | 2,000,000 | – | 2,000,000 |
| 2003C | – | 2,000,000 | – | 2,000,000 |
| 2003D | – | 2,000,000 | – | 2,000,000 |
| Total | 4,500,000 | 6,500,000 | (2,500,000) | 8,500,000 |



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

37. SHARE OPTIONS (Continued)

Details of the share options held by the directors included in the above table are as follows:

For the year ended 31 March 2004

| Option type | Outstanding at 1 April 2003 | Granted during the year | Lapsed during the year | Outstanding at 31 March 2004 |
|-------------|-----------------------------|-------------------------|------------------------|------------------------------|
| 2002A | 2,000,000 | – | – | 2,000,000 |
| 2003B | 2,000,000 | – | (2,000,000) | – |
| 2003D | 2,000,000 | – | – | 2,000,000 |
| 2004A | – | 2,000,000 | – | 2,000,000 |
| 2004B | – | 4,000,000 | – | 4,000,000 |
| Total | 6,000,000 | 6,000,000 | (2,000,000) | 10,000,000 |

For the year ended 31 March 2003

| Option type | Outstanding at 1 April 2002 | Granted during the year | Outstanding at 31 March 2003 |
|-------------|-----------------------------|-------------------------|------------------------------|
| 2002A | 2,000,000 | – | 2,000,000 |
| 2003B | – | 2,000,000 | 2,000,000 |
| 2003D | – | 2,000,000 | 2,000,000 |
| Total | 2,000,000 | 4,000,000 | 6,000,000 |



37. SHARE OPTIONS (Continued)

Details of specific categories of options are as follows:

| Option type | Date of grant | Exercise period | Closing price immediately before/on the date of grant HK\$ | Exercise price per share HK\$ |
|-------------|-----------------|--------------------------------------|------------------------------------------------------------|-------------------------------|
| 2002A | 1 February 2002 | 1 September 2002 to 31 August 2007 | 1.520 | 1.4944 |
| 2003A | 2 April 2002 | 3 October 2002 to 2 October 2007 | 3.000 | 3.0550 |
| 2003B | 8 April 2002 | 9 October 2002 to 8 October 2007 | 3.300 | 3.3000 |
| 2003C | 3 May 2002 | 3 November 2002 to 2 November 2007 | 4.530 | 4.6200 |
| 2003D | 14 May 2002 | 14 November 2002 to 13 November 2007 | 4.950 | 4.9600 |
| 2004A | 28 July 2003 | 28 July 2003 to 27 July 2008 | 1.350 | 1.3500 |
| 2004B | 27 August 2003 | 27 August 2003 to 26 August 2008 | 1.170 | 1.3060 |
| 2004C | 16 January 2004 | 16 January 2004 to 15 January 2009 | 0.840 | 0.8520 |

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.



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

38. RESERVES

THE GROUP

| | Share premium HK\$'000 | Special reserve HK\$'000 | Capital reserve HK\$'000 | Translation reserve HK\$'000 | Accumulated profits (losses) HK\$'000 | Total HK\$'000 |
|-------------------------------------------------------------------------------------------------------------|------------------------------|--------------------------------|--------------------------------|------------------------------------|------------------------------------------------|-------------------|
| At 1 April 2002 | 4,242 | 13,524 | 1,848 | – | 66,170 | 85,784 |
| Share premium arising from issue of shares | 119,714 | – | – | – | – | 119,714 |
| Share issue expenses | (4,595) | – | – | – | – | (4,595) |
| Exchange difference arising on translation of financial statements of operations outside Hong Kong | – | – | – | (37) | – | (37) |
| Indemnity from former controlling shareholders (Note) | – | – | – | – | 631 | 631 |
| Net loss for the year | – | – | – | – | (40,555) | (40,555) |
| At 31 March 2003 | 119,361 | 13,524 | 1,848 | (37) | 26,246 | 160,942 |
| Share premium arising from issue of shares | 85,939 | – | – | – | – | 85,939 |
| Share issue expenses | (2,510) | – | – | – | – | (2,510) |
| Net loss for the year | – | – | – | – | (57,198) | (57,198) |
| At 31 March 2004 | 202,790 | 13,524 | 1,848 | (37) | (30,952) | 187,173 |

The accumulated profits/(losses) of the Group included accumulated losses of HK\$17,436,000 (2003: HK\$3,288,000) attributable to associates and the joint venture of the Group.

Note: The amount represented the indemnity from the former controlling shareholders to the Group for any underprovision of profits tax in the companies comprising the Group for the periods before the listing of shares of the Company on the Stock Exchange.



38. RESERVES (Continued)

THE COMPANY

| | Share premium HK\$'000 | Contributed surplus HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|-----------------------------------------------|------------------------------|------------------------------------|-----------------------------------|-------------------|
| At 1 April 2002 | 4,242 | 80,657 | (589) | 84,310 |
| Net loss for the year | – | – | (41,014) | (41,014) |
| Share premium arising from issue of shares | 119,714 | – | – | 119,714 |
| Share issue expenses | (4,595) | – | – | (4,595) |
| At 31 March 2003 | 119,361 | 80,657 | (41,603) | 158,415 |
| Net loss for the year | – | – | (55,412) | (55,412) |
| Share premium arising from issue of shares | 85,939 | – | – | 85,939 |
| Share issue expenses | (2,510) | – | – | (2,510) |
| At 31 March 2004 | 202,790 | 80,657 | (97,015) | 186,432 |

Notes:

- The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition under the corporate reorganisation of the Group.
- The capital reserve represents the contributions made by the then controlling shareholder under the corporate reorganisation of the Group.
- The contributed surplus of the Company represents the difference between the fair values of the underlying net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued under the corporate reorganisation of the Group.
- The Company's reserves available for distribution to shareholders as at 31 March 2004 represent the net balance of the share premium, contributed surplus and accumulated losses of HK\$186,432,000 (2003: HK\$158,415,000).



39. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31 March 2004, the Group entered into a finance lease for HK\$226,000 in respect of the acquisition of a motor vehicle. The finance lease is determined with reference to the total capital value of the motor vehicle of HK\$278,000 and settlement of related expenses of HK\$18,000 after the deduction of the trade-in value of HK\$70,000 of a motor vehicle of the Group at a book value of HK\$83,000.
- (b) During the year ended 31 March 2004, the Group disposed of a motor vehicle at a carrying value of HK\$136,000 for HK\$114,000, which was settled by assumption of the outstanding finance lease obligations of the Group of HK\$85,000 and HK\$29,000 in cash.
- (c) During the year ended 31 March 2004, the Group disposed of one of its other investments for HK\$5,500,000, which is yet to be received as at the balance sheet date.
- (d) During the year ended 31 March 2003, the Group entered into finance lease arrangements in respect of assets with a total capital value of HK\$477,000 at the inception of the finance leases.

40. CONTINGENT LIABILITIES

As at the balance sheet date, the Group had no material contingent liabilities for both years.

The Company has executed guarantees in favour of the landlords of certain properties leased by a subsidiary for due performance of obligations under the tenancy agreements. As at the balance sheet date, the aggregate outstanding leasing commitments of the subsidiary amounted to approximately nil (2003: HK\$8,352,000).

In addition, the Company has executed guarantees of an unlimited amount and HK\$6,000,000 in favour of a bank and a securities company respectively in respect of credit facilities granted to certain subsidiaries.



41. CAPITAL COMMITMENTS

| | THE GROUP | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Contracted for but not provided in the financial statements in respect of | | |
| – the acquisition of a 40% interest in a company operating the container depots (Note 31(b)) | 6,769 | – |
| – the capital contribution for a 51% interest in a joint venture to be established for the waste incineration and processing business in Dongguan, the PRC | 48,450 | – |
| | 55,219 | – |

The Company had no material capital commitments as at the balance sheet date for both years.

42. OPERATING LEASE COMMITMENTS

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 HK\$'000 | 2003 HK\$'000 |
| Land and buildings: | | |
| Operating lease which expire: | | |
| – within one year | 4,066 | 5,643 |
| – in the second to fifth year inclusive | 455 | 3,103 |
| | 4,521 | 8,746 |
| Others: | | |
| Operating leases which expire within one year | – | 500 |

Operating lease payments for land and buildings represent rentals payable by the Group for its office premises and employees' quarters. Leases are negotiated for an average term of two (2003: two) years.

The Company had no operating lease commitments at the balance sheet date.



43. PURCHASE OF SUBSIDIARIES

| | 2004 HK\$'000 | 2003 HK\$'000 |
|------------------------------------------------------------------------------------------------------|------------------|------------------|
| Net assets acquired: | | |
| Property, plant and equipment | 23 | 780 |
| Investments in securities | – | 2,500 |
| Accounts receivable | 320 | 3 |
| Prepayments, deposits and other receivables | – | 264 |
| Bank balances and cash | 35 | 86 |
| Taxation | (52) | – |
| Deferred taxation | (2) | – |
| Accounts payable, other payables and accrued charges | (200) | (8,745) |
| Net assets (liabilities) acquired | 124 | (5,112) |
| Goodwill arising on acquisition | 1,876 | 25,612 |
| Cash consideration | 2,000 | 20,500 |
| Net cash outflow of cash and cash equivalents in connection with the acquisition of subsidiaries: | | |
| Cash consideration | 2,000 | 20,500 |
| Bank balances and cash acquired | (35) | (86) |
| | 1,965 | 20,414 |

The subsidiaries acquired during the year contributed approximately HK\$642,000 (2003: HK\$196,000) to the Group's turnover and a loss of approximately HK\$124,000 (2003: HK\$5,453,000) to the Group for the year.



44. DEFERRED TAXATION

The following are the major deferred tax liabilities and (assets) recognised and movements thereon during the current and prior reporting periods:

THE GROUP

| | Accelerated tax depreciation HK\$'000 | Tax losses HK\$'000 | Total HK\$'000 |
|-------------------------------------------------------------------------|------------------------------------------------|---------------------------|-------------------|
| At 1 April 2002 | 123 | (123) | – |
| Charge (credit) to income for the year | 518 | (518) | – |
| At 31 March 2003 | 641 | (641) | – |
| (Credit) charge to income for the year | (452) | 452 | – |
| Acquired on acquisition of a subsidiary | 2 | – | 2 |
| Effect of change in tax rate charge (credit) to the income statement | 60 | (60) | – |
| At 31 March 2004 | 251 | (249) | 2 |

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised). The following is the analysis of the deferred tax balances for financial reporting purposes:

| | 2004 HK\$'000 | 2003 HK\$'000 |
|--------------------------|------------------|------------------|
| Deferred tax liabilities | 2 | – |
| Deferred tax assets | – | – |
| | 2 | – |

At 31 March 2004, the Group has unused tax losses of approximately HK\$68,500,000 (2003: HK\$40,500,000) available to for offset against future profits. A deferred tax asset has been recognised for the year ended 31 March 2004 in respect of approximately HK\$1,420,000 (2003: HK\$4,006,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are of approximately HK\$3,200,000 (2003: HK\$2,300,000) that will expire after 5 years from the year of assessment they relate to. Other unrecognised tax losses may be carried forward indefinitely.



45. PLEDGE OF ASSETS

At 31 March 2004, the Group had pledged bank deposits of approximately HK\$4 million (2003: HK\$11 million) to secure certain bank facilities available to the Group.

In addition, the Group's overdrafts as at the balance sheet date were secured on the securities held by the Group on behalf of its customers.

46. RETIREMENT BENEFITS SCHEMES

The Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all its employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the MPF Scheme.

The group companies operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. These group companies are required to make specific contributions to the retirement schemes at a rate of 19% (2003: 19%) of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond of the annual contributions made.

The amounts charged to the income statement represented contributions payable to the MPF Scheme by the Group at rates specified in the rules of the MPF Scheme.



47. RELATED PARTY TRANSACTIONS

During the year, the following related party transactions took place:

| | 2004 HK\$'000 | 2003 HK\$'000 |
|------------------------------------------------------------------------------------------------|------------------|------------------|
| A company in which a former director of the Company is a director and has beneficial interests | | |
| Operating lease rental of premises paid | – | 827 |
| Building management fees paid | – | 107 |
| A company in which a former director of the Company is also a director | | |
| Sales of goods to | – | 42 |
| Purchases of goods from | – | 3,242 |

The charges for lease payments, building management fees, sales of goods and purchases of goods were determined in accordance with the terms of the relevant agreements.

48. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group had the following material events:

- (a) On 23 April 2004, the Group entered into a letter of intent with an independent third party in relation to the proposed acquisition of not more than 50% equity interest in a PRC company which is licenced to operate internet cafe chain in the PRC. Pursuant to the letter of intent, the Group was required to pay earnest money in the amount of HK\$20 million. The Group further entered into a supplemental letter of intent with the independent third party on 21 July 2004 to extend the exclusivity period for conducting due diligence review on the affairs of the PRC company to 22 October 2004.
- (b) In April 2004, the Group disposed of certain of its listed investments at a carrying value of HK\$15,191,000 as at the balance sheet for HK\$10,380,000, resulting in a loss of approximately HK\$4,800,000.
- (c) On 21 July 2004, the Group entered into a supplemental letter of intent to the vendor of interests in a PRC company holding technology for application in waste incineration and processing as mentioned in note 31(a) to extend the time for completion of the due diligence exercise to 9 September 2004.



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

49. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2004, all of which are wholly owned by the Company, unless otherwise stated, are as follows:

| Name of subsidiary | Place of incorporation | Issued and fully paid share capital/ registered capital | | Principal activities |
|-------------------------------------------------------------------|------------------------|------------------------------------------------------------|---------------------------|-----------------------------------------------|
| | | Ordinary/ registered | Deferred | |
| Brongham Park Limited | Hong Kong | HK\$20 | HK\$1,000,000 (Note 4) | Trading in diesel generating sets |
| China Legend International Limited | Hong Kong | HK\$10,000 | – | Investment holding |
| Ever Ace Investment Limited | Hong Kong | HK\$2 | – | Administrative centre and investment holding |
| Hong Tong Hai Consultants Limited | Hong Kong | HK\$2 | – | Investment holding |
| Hong Tong Hai Investments Limited | Hong Kong | HK\$2 | – | Investment holding |
| Hong Tong Hai Logistics Limited | British Virgin Islands | US\$100 | – | Investment holding |
| Hong Tong Hai Securities Limited | Hong Kong | HK\$21,000,000 | – | Securities brokerage |
| Jetcom Limited | British Virgin Islands | US\$1 | – | Investment holding |
| MindGenius Secretarial Services Limited | Hong Kong | HK\$10,000 | – | Provision of company secretarial services |
| Sinogear Enterprises Limited | British Virgin Islands | US\$1 | – | Investment holding |
| TopStar Enterprises (Holdings) Limited | British Virgin Islands | US\$1 | – | Investment holding |
| Tribest Investments Limited | British Virgin Islands | US\$1 | – | Investment holding |
| Yew Sang Hong (China) Limited | British Virgin Islands | US\$1 | – | Investment holding |
| Yew Sang Hong (BVI) Limited | British Virgin Islands | US\$1 | – | Investment holding |
| Yew Sang Hong Trading (China) Limited | Hong Kong | HK\$2 | – | Trading in electrical equipment and materials |
| Yew Sang Hong Building Services (Maintenance) Engineering Limited | Hong Kong | HK\$2 | – | Building maintenance |
| Yew Sang Hong Investment Services Limited | British Virgin Islands | US\$1 | – | Investment holding |



49. PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary | Place of incorporation | Issued and fully paid share capital/ registered capital | | Principal activities |
|-------------------------------|------------------------|------------------------------------------------------------|----------------------------|-----------------------------------------------|
| | | Ordinary/ registered | Deferred | |
| Yew Sang Hong Limited | Hong Kong | HK\$20 | HK\$12,524,000 (Note 4) | Electrical engineering contracting |
| Yew Sang Hong Trading Limited | Hong Kong | HK\$2 | HK\$2 (Note 4) | Trading in electrical equipment and materials |
| Wellink Shipping Limited | Hong Kong | HK\$2 | – | Sea freight forwarding services |
| 北京易行商盟在線網絡技術有限公司 (Note 3) | PRC | US\$300,000 | – | Provision of internet travel booking services |

Notes:

- Other than Yew Sang Hong (BVI) Limited, Yew Sang Hong (China) Limited, Yew Sang Hong Investment Services Limited and Hong Tong Hai Logistics Limited which are directly held by the Company, all other companies are indirectly held by the Company.
- Other than those subsidiaries incorporated in the British Virgin Islands, whose place of operations are basically in Hong Kong, the places of operations of all other subsidiaries are the same as their places of incorporation.
- This subsidiary is 60% held by the Group and is a foreign investment enterprise established in the PRC.
- The deferred shares are shares whose shareholders are neither entitled to receive notices, attend, vote at any general meetings nor to receive any dividend out of operating profit and have very limited rights on return of capital of the subsidiaries. The deferred shares are held by the former directors of the Company, Mr. Lai Sai Sang and Ms. Leung Sau Che, Jennifer, who have granted options to the Group to acquire these deferred shares at nominal value.
- None of the subsidiaries had issued any debt securities at the end of the year.
- The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particular excessive length.

50. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 26 to 75 were approved and authorised for issue by board of directors on 26 July 2004.