

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is DiChain Holdings Limited ("DiChain Holdings"), a limited company incorporated in Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are set out in note 40.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of its net current liabilities of HK\$19,756,000 at 31 March 2004. The directors are satisfied that the Group has sufficient funding and facilities to be able to meet in full its liabilities as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

## 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income taxes" under Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"); the term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision would be made for deferred tax using the income statement liability method, i.e. a liability would be 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. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities and investment properties, and 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 and associates acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

### Goodwill

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

Goodwill arising on acquisition prior to 1 April 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisition after 1 April 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or the jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

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

### Investments in subsidiaries

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Interest in an associate

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, the interest in associate is stated at the Group's share of the net assets of the associate plus the goodwill in so far as it has not already been amortised, less any identified impairment losses.

### Interest in a jointly controlled entity

Joint venture arrangement which involves the establishment of a separate entity in which each venturer has an interest is referred to as a jointly controlled entity.

The Group's interest in a jointly controlled entity is included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entity less any identified impairment losses. The Group's share of the post-acquisition results of a jointly controlled entity is included in the consolidated income statement.

### Revenue recognition

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

Service income is recognised when services are rendered.

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

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

Revenue from the disposal of investments are recognised on the trade-date when a sale and purchase contract is entered into.

### 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. Any revaluation increase or decrease 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 revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease 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 unexpired term of the relevant lease is twenty years or less.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment

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

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Land and buildings held in the People's Republic of China ("PRC")	Over the terms of the land use rights
Leasehold improvements	Over the shorter of the terms of the lease, land use rights or 5 years
Plant and machinery	5 – 20%
Equipment	15 – 20%
Furniture, fixtures and office equipment	20 – 25%
Motor vehicles	25 – 33%

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

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.

### 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, 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 measured at fair value, with unrealised gains and losses included in the income statement for the year.

### Inventories

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

### Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's foreign operations, which are denominated in currencies other than the Hong Kong dollar, are translated into Hong Kong dollars at the 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 an expense in the year in which the operation is disposed of.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 and associates, and interests in joint ventures, 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.

### Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the relevant lease terms.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Retirement benefits schemes

Payments to state-managed retirement benefits schemes and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

## 5. TURNOVER

Turnover represents the net amounts received and receivable for goods sold and services provided by the Group to outside customers, less returns and allowances, and rental income for the year, and is analysed as follows:

	2004 HK\$'000	2003 HK\$'000
Continuing operations		
Logistics and other services	13,713	6,972
Sales of goods	2,991	4,777
Others	–	237
	<b>16,704</b>	11,986
Discontinued operations		
Sales of edible oil	10,660	21,588
Sales of food and beverage	405	2,763
	<b>11,065</b>	24,351
	<b>27,769</b>	36,337

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group is currently organised into two (2003: four) operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Logistics – provision of logistics and related services
- Electronic household appliances – distribution of electronic household appliances

In prior years, the Group was also involved in the production and distribution of edible oil and trading of food and beverage products. Those operations were discontinued during the year; details are set out in note 8.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

Segment information about these businesses is presented below:

#### For the year ended 31 March 2004

	Continuing operations			Discontinued operations			Consolidated HK\$'000
	Electronic household appliances HK\$'000	Logistics HK\$'000	Others HK\$'000	Edible oil HK\$'000	Food and beverage HK\$'000	Elimination HK\$'000	
<b>TURNOVER</b>							
External sales	2,991	13,713	-	10,660	405	-	27,769
Inter-segment sales	-	234	-	-	-	(234)	-
<b>Total</b>	<b>2,991</b>	<b>13,947</b>	<b>-</b>	<b>10,660</b>	<b>405</b>	<b>(234)</b>	<b>27,769</b>
<b>RESULTS</b>							
Segment results	(315)	615	(574)	(4,698)	(622)	-	(5,594)
Gain on disposal of investments in securities							16,208
Unrealised holding gain on investments in securities							7,027
Unallocated corporate income							9,445
Unallocated corporate expenses							(13,676)
Profit from operations							13,410
Finance costs							(6,287)
Gain on disposal of interests in subsidiaries	(315)	-	1,131	-	-	-	816
(Loss) gain on disposal of discontinued operations	-	-	-	(4,776)	147	-	(4,629)
Gain on disposal of interest in a jointly controlled entity	-	-	-	-	2,033	-	2,033
Share of results of an associate							(326)
Share of results of a jointly controlled entity	-	-	-	-	6,441	-	6,441
Profit before taxation							11,458
Taxation							326
Profit before minority interests							11,784

Inter-segment sales are charged at prevailing market rates.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

As at 31 March 2004

	Continuing operations			Discontinued operations		Consolidated HK\$'000
	Electronic household appliances HK\$'000	Logistics HK\$'000	Others HK\$'000	Edible oil HK\$'000	Food and beverage HK\$'000	
<b>ASSETS</b>						
Segment assets	1,189	140,917	597	-	-	142,703
Investments in securities						32,486
Interest in an associate						26,388
Loans receivable						10,500
Deposit paid for acquisition of additional interest in an associate						12,613
Unallocated corporate assets						18,545
Consolidated total assets						243,235
<b>LIABILITIES</b>						
Segment liabilities	56	3,920	5,431	-	-	9,407
Tax payable						205
Obligations under a finance lease						203
Bank borrowings						103,371
Unallocated corporate liabilities						10,860
Consolidated total liabilities						124,046
Other information:						
Allowances for doubtful debts	-	-	-	4,077	-	4,077
Capital additions	23	2,032	755	-	-	2,810
Depreciation and amortisation	26	4,110	1,452	-	-	5,588
Loss on disposal of investment properties	-	-	1,357	-	-	1,357
Loss on write off of property, plant and equipment	-	-	7	-	-	7

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

For the year ended 31 March 2003

	Continuing operations			Discontinued operations			Consolidated HK\$'000
	Electronic household appliances HK\$'000	Logistics HK\$'000	Others HK\$'000	Edible oil HK\$'000	Food and beverage HK\$'000	Elimination HK\$'000	
<b>TURNOVER</b>							
External sales	4,777	6,936	273	21,588	2,763	-	36,337
Inter-segment sales	119	1,518	1,418	-	79	(3,134)	-
<b>Total</b>	<b>4,896</b>	<b>8,454</b>	<b>1,691</b>	<b>21,588</b>	<b>2,842</b>	<b>(3,134)</b>	<b>36,337</b>
<b>RESULTS</b>							
Segment results	329	13,977	2,655	8,699	(5,885)	(2,209)	17,566
Unallocated corporate expenses							(7,384)
Profit from operations							10,182
Finance costs							(4,157)
Gain on disposal of discontinued operation							8,877
Share of results of a jointly controlled entity	-	-	-	-	(2,509)	-	(2,509)
Profit before taxation							12,393
Taxation							-
Profit before minority interests							12,393

Inter-segment sales are charged at prevailing market rates.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

As at 31 March 2003

	Continuing operations			Discontinued operations		Consolidated HK\$'000
	Electronic household appliances HK\$'000	Logistics HK\$'000	Others HK\$'000	Edible oil HK\$'000	Food and beverage HK\$'000	
<b>ASSETS</b>						
Segment assets	1,230	161,825	4,306	32,497	1,290	201,148
Investments in securities						6,753
Interest in a jointly controlled entity	-	-	-	-	1,146	1,146
Unallocated corporate assets						3,664
Consolidated total assets						212,711
<b>LIABILITIES</b>						
Segment liabilities	403	2,937	1,794	1,577	353	7,064
Tax payable						988
Obligations under a finance lease						281
Bank borrowings						77,103
Unallocated corporate liabilities						14,229
Consolidated total liabilities						99,665
Other information:						
Capital additions	-	74	825	1,925	327	3,151
Depreciation and amortisation	23	3,351	654	1,956	5,170	11,154
Loss on disposal of property, plant and equipment	-	125	-	-	-	125
Reversal of impairment loss recognised	-	(17,078)	(32)	(9,730)	-	(26,840)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Geographical segments

The Group's operations are principally located in Hong Kong and the PRC. The Group's administrative function is carried out in Hong Kong and the PRC and the manufacturing activities are carried out in the PRC.

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	
	2004 HK\$'000	2003 HK\$'000
Hong Kong	2,412	4,776
PRC	25,357	31,561
	<b>27,769</b>	36,337

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	39,736	17,386	730	185
PRC	203,499	195,325	2,080	2,966
	<b>243,325</b>	212,711	<b>2,810</b>	3,151

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 7. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs	9,101	7,423
Retirement benefits schemes contributions	382	259
<b>Total staff costs, including directors' emoluments</b>	<b>9,483</b>	7,682
Auditors' remuneration:		
Current year	776	750
Underprovision in previous year	584	–
Cost of inventories recognised as an expense	12,042	28,041
Depreciation and amortisation	5,588	11,154
Loss on disposal/write off of:		
Investment properties	416	–
Property, plant and equipment	7	125
and after crediting:		
Interest income from:		
Bank	227	141
Loans receivable	344	–
Debt securities	1,357	–
Revaluation increase on investment properties	–	105

## 8. DISCONTINUED OPERATIONS

During the year, the Group disposed of its entire interests in two subsidiaries, Dransfield Food and Beverage Limited ("DFB") and Shenyang Dransfield Industrial Development Ltd. ("SDID") for a cash consideration of HK\$450,000 (the "DFB Disposal") and a consideration by waiver of other payables of HK\$1,500,000 (the "SDID Disposal"), respectively. The DFB Disposal and SDID Disposal were effected for the purpose of maintaining a more focused view in the Group's logistics operations.

DFB was principally engaged in the trading of food and beverage products in Hong Kong. The DFB Disposal was completed on 4 July 2003, when control of DFB was passed to the acquirer.

SDID was principally engaged in the production and distribution of edible oil in the PRC. The SDID Disposal was completed on 31 March 2004, when control of SDID was passed to the acquirer.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 8. DISCONTINUED OPERATIONS (Continued)

The carrying amounts of the assets and liabilities of the food and beverage products trading business and the edible oil production and distribution business at the date of disposal and at 31 March 2003 and the gain (loss) arising from the disposals are as follows:

	Food and beverage		Edible oil	
	At 4 July 2003 HK\$'000	At 31 March 2003 HK\$'000	At 31 March 2004 HK\$'000	At 31 March 2003 HK\$'000
Property, plant and equipment	204	334	18,533	18,968
Inventories	145	597	1,220	1,808
Trade and other receivables	53	202	9,093	13,354
Bank balances and cash	10	157	568	130
Trade and other payables	(109)	(353)	(2,613)	(1,577)
Bank borrowings	–	–	(16,490)	(16,538)
Tax payable	–	–	–	(83)
Minority interests	–	–	(4,253)	(6,648)
Capital reserve realised	–	–	1,450	–
Translation reserve realised	–	–	(1,232)	–
	<b>303</b>	937	<b>6,276</b>	9,414
Gain (loss) on disposal	<b>147</b>	N/A	<b>(4,776)</b>	N/A
Consideration received	<b>450</b>	N/A	<b>1,500</b>	N/A

The operating results of these businesses are disclosed in note 6. The food and beverage products trading business and the edible oil production and distribution business did not have a material contribution to the net cash flows of the Group for the year ended 31 March 2004.

During the year ended 31 March 2003, the Group disposed of its entire interest in a subsidiary, Redruth Brewery (1742) Limited ("Redruth") for a cash consideration of HK\$1 (the "Redruth Disposal"). Redruth was principally engaged in the production and distribution of brewery products in the United Kingdom with its major customers located in Europe. The Redruth Disposal was effected for the purpose of debt reduction of the Group.

The Redruth Disposal was completed on 12 April 2002, when control of Redruth was passed to the acquirer. The operating results for the brewery production and distribution business for the period from 1 April 2002 to 12 April 2002 was insignificant, and the brewery production and distribution business did not contribute any cash flows in respect of the Group's operating, investing and financing activities for the year ended 31 March 2003.

The carrying amounts of the assets and liabilities of the brewery production and distribution business at the date of disposal and the gain arising from the disposal are disclosed in note 31.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### Directors' emoluments

	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive directors	–	–
Non-executive directors	–	33
Independent non-executive directors	130	48
	<b>130</b>	81
Other emoluments:		
Executive directors		
– Salaries and other benefits	1,752	1,009
– Bonus	243	94
– Retirement benefits schemes contributions	12	12
	<b>2,007</b>	1,115
Non-executive directors		
– Salaries and other benefits	–	–
	<b>2,137</b>	1,196

The aggregate emoluments of each of the directors during both years were below HK\$1,000,000.

### Employees' emoluments

During the year, the five highest paid individuals in the Group included three directors (2003: a director) of the Company, details of whose emoluments are set out above. The emoluments of the remaining two (2003: four) individuals were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	917	2,523
Bonus	76	92
Retirement benefits schemes contributions	24	42
	<b>1,017</b>	2,657

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

### 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The aggregate emoluments of each of the highest paid individuals during the year were below HK\$1,000,000.

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, and no director waived any emoluments in both years.

### 10. TAXATION

The tax credit for 2004 represented over provision of Hong Kong Profits Tax in prior years.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for both years.

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

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	11,458	12,393
Tax at domestic tax rate of 15% (2003: 15%)	1,719	1,858
Tax effect of share of results of an associate and a jointly controlled entity	(917)	376
Tax effect of income not taxable for tax purpose	(17,177)	(16,745)
Tax effect of expenses not deductible for tax purpose	12,753	12,599
Tax effect of tax loss not recognised	3,622	1,912
Overprovision of taxation in prior years	(326)	–
Tax credit for the year	(326)	–

Details of deferred tax are set out in note 30.

Note: The domestic income tax rate is the rate for special regions in the PRC where the Group's operations are substantially based, where a preferential tax rate of 15% is used.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2004 HK\$'000	2003 HK\$'000
Earnings for the purpose of calculating basic and diluted earnings per share:		
Net profit for the year	14,262	13,453
Weighted average number of shares for the purpose of calculating basic earnings per share (in thousands)	4,536,565	3,460,237
Effect of dilutive potential shares (in thousands):		
Warrants	764,459	477,141
Share options	25,897	–
Weighted average number of shares for the purpose of calculating diluted earnings per share (in thousands)	5,326,921	3,937,378

For the year ended 31 March 2003, the weighted average number of shares for the purpose of basic earnings per share was based on the assumption that the group reorganisation on 26 August 2002 had been completed at 1 April 2002.

## 12. INVESTMENT PROPERTIES

	THE GROUP		
	Properties situated in		
	Hong Kong HK\$'000	PRC HK\$'000	Total HK\$'000
VALUATION			
At 1 April 2003	700	2,627	3,327
Disposal	–	(2,627)	(2,627)
At 31 March 2004	700	–	700

The investment property situated in Hong Kong and held under a medium-term lease was under the possession of a bank during the year and had not been disposed of at the balance sheet date. In the opinion of the directors, the investment property was carried at the net realisable value, which approximated its open market value at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in the PRC HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Equipment HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
COST							
At 1 April 2003	141,758	4,785	23,793	9,601	29,035	3,868	212,840
Exchange realignment	(404)	(1)	(65)	-	(49)	(5)	(524)
Additions	-	188	-	-	1,741	881	2,810
Disposal of subsidiaries	(5,235)	-	(23,728)	(2,449)	(185)	(1,619)	(33,216)
Write off	-	-	-	-	-	(46)	(46)
<b>At 31 March 2004</b>	<b>136,119</b>	<b>4,972</b>	<b>-</b>	<b>7,152</b>	<b>30,542</b>	<b>3,079</b>	<b>181,864</b>
DEPRECIATION AND AMORTISATION AND IMPAIRMENT							
At 1 April 2003	24,390	4,147	9,517	9,398	16,019	2,727	66,198
Exchange realignment	(68)	-	(23)	-	(13)	(3)	(107)
Eliminated on disposal of subsidiaries	(1,104)	-	(9,719)	(2,256)	(157)	(1,243)	(14,479)
Provided for the year	3,038	402	225	10	1,320	593	5,588
Eliminated on write off	-	-	-	-	-	(39)	(39)
<b>At 31 March 2004</b>	<b>26,256</b>	<b>4,549</b>	<b>-</b>	<b>7,152</b>	<b>17,169</b>	<b>2,035</b>	<b>57,161</b>
NET BOOK VALUE							
<b>At 31 March 2004</b>	<b>109,863</b>	<b>423</b>	<b>-</b>	<b>-</b>	<b>13,373</b>	<b>1,044</b>	<b>124,703</b>
At 31 March 2003	117,368	638	14,276	203	13,016	1,141	146,642

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Total HK\$'000
<b>THE COMPANY</b>			
COST			
At 1 April 2003	454	128	582
Transfer to a subsidiary	(454)	(128)	(582)
At 31 March 2004	–	–	–
DEPRECIATION			
At 1 April 2003	158	18	176
Transfer to a subsidiary	(158)	(18)	(176)
At 31 March 2004	–	–	–
NET BOOK VALUE			
At 31 March 2004	–	–	–
At 31 March 2003	296	110	406

The land and buildings of the Group are held under medium-term land use rights in the PRC.

The net book value of property, plant and equipment of the Group includes an amount of HK\$220,000 (2003: HK\$329,000) in respect of assets held under a finance lease.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	63,988	63,988
Amounts due from subsidiaries	37,776	69,575
	<b>101,764</b>	133,563
Allowances on amount due from subsidiaries	(20,247)	(53,597)
	<b>81,517</b>	79,966

Details of the Company's principal subsidiaries at 31 March 2004 are set out in note 40.

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts due from subsidiaries are unlikely to be repaid within twelve months from the balance sheet date and are therefore shown as non-current.

## 15. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets of a jointly controlled entity	–	1,146

The balance at 31 March 2003 represented the interest of 57% in Wuxi Dransfield Broadsino Beverage Co., Ltd ("WDBB"), which was engaged in the manufacture of beverage products. The Group disposed of its entire interest in WDBB to a third party during the year.

The amount due to the jointly controlled entity was unsecured, interest-free and was reclassified as other payables as at 31 March 2004.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 16. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	24,391	–
Goodwill	1,997	–
	<b>26,388</b>	–

Particulars of the Group's associate at 31 March 2004 are as follows:

Name of entity	Form of business structure	Place of establishment	Class of share held	Proportion of nominal value of registered capital held by Group %	Principal activity
Shenzhen SEG Scientific Navigations Co. Ltd. ("Shenzhen SEG")	Incorporated	PRC	Registered	35	Manufacture of automatic vehicle locator of global positioning system

The goodwill arose on the acquisition of Shenzhen SEG during the year. Amortisation charged in the current year amounting to HK\$51,000 has been included in the consolidated income statement. Goodwill is amortised over a period of 10 years.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 16. INTEREST IN AN ASSOCIATE (Continued)

The following details have been extracted from the audited financial statements of Shenzhen SEG:

Results for the period from 1 January 2004 (date of acquisition) to 31 March 2004

	HK\$'000
Turnover	13,673
Profit from ordinary activities	(785)
Profit from ordinary activities attributable to the Group	(275)

### Financial position

	HK\$'000
Non-current assets	10,144
Current assets	78,573
Current liabilities	(16,585)
Minority interests	(2,442)
Net assets	69,690
Net assets attributable to the Group	24,391

## 17. DEPOSIT PAID FOR ACQUISITION OF ADDITIONAL INTEREST IN AN ASSOCIATE

The deposit was paid for the acquisition of an additional 17.6% equity interest in Shenzhen SEG. Details of the proposed acquisition are set out in a circular issued by the Company on 3 March 2004.

## 18. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Finished goods	168	2,576

At 31 March 2003, included above were inventories of HK\$162,000 which were carried at net realisable value (2004: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 19. TRADE AND OTHER RECEIVABLES

The Group has defined credit terms with an average credit period of 90 days which are agreed with its trade customers individually. The aged analysis of trade receivables at the balance sheet date is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Less than 3 months	2,482	3,561
3 to 6 months	175	2,836
6 to 12 months	67	–
Over 1 year	10	–
	<b>2,734</b>	6,397
Other receivables	<b>3,674</b>	9,431
	<b>6,408</b>	15,828

## 20. LOANS RECEIVABLE

The loans receivable of the Group are secured by the listed securities held by the borrower, bear interest at 5% per annum and are repayable within one year.

## 21. INVESTMENTS IN SECURITIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Other investments, equity securities listed overseas	8,929	6,753
Trust funds, unlisted	23,557	–
	<b>32,486</b>	6,753
Market value of listed securities	<b>8,929</b>	6,753

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

### 22. AMOUNT DUE FROM AN INVESTEE

The amount due from an investee of the Group is unsecured, interest-free and repayable on demand.

### 23. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY, A FELLOW SUBSIDIARY, RELATED COMPANIES AND A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amounts are unsecured, interest-free and repayable on demand.

### 24. TRADE AND OTHER PAYABLES

The aged analysis of trade payables at the balance sheet date is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Less than 3 months	793	668
3 to 6 months	10	904
6 to 12 months	2	355
Over 1 year	425	509
	<b>1,230</b>	2,436
Other payables	<b>14,798</b>	13,887
	<b>16,028</b>	16,323



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 25. OBLIGATIONS UNDER A FINANCE LEASE

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The maturity of obligations under a finance lease is as follows:				
Within one year	91	91	78	78
In the second to fifth year inclusive	144	235	125	203
	<b>235</b>	326	<b>203</b>	281
Less: Future finance charges	<b>(32)</b>	(45)	<b>N/A</b>	N/A
Present value of lease obligations	<b>203</b>	281	<b>203</b>	281
Less: Amount due within one year shown under current liabilities			<b>(78)</b>	(78)
			<b>125</b>	203

The lease term is 3 years and the interest rate was fixed at the contract date. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under the finance lease are secured by the lessor's charge over the leased asset.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 26. BANK BORROWINGS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Secured	60,968	70,015
Unsecured	42,403	7,088
	<b>103,371</b>	77,103
The maturity of the bank borrowings is as follows:		
On demand or within one year	78,037	27,484
More than one year, but not exceeding two years	25,334	49,619
	<b>103,371</b>	77,103
Less: Amount due within one year shown under current liabilities	<b>(78,037)</b>	(27,484)
	<b>25,334</b>	49,619

The secured bank loans were secured by certain leasehold land and buildings, investment properties and plant and machinery of the Group (note 35).

On 8 July 2004, the Group had entered an agreement with a bank to renew its short term unsecured bank borrowings amounting to approximately HK\$28 million for a period of one year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 27. SHARE CAPITAL

	Note	Number of shares	Amount HK\$'000
Shares of HK\$0.01 each			
Authorised:			
On date of incorporation	(a)	10,000,000	100
Increase in authorised share capital	(b)	7,990,000,000	79,900
At 31 March 2003 and 31 March 2004		8,000,000,000	80,000
Issued and fully paid:			
Initial share capital on date of incorporation	(a)	10,000,000	100
Issue of shares pursuant to group reorganisation	(c)(i)	1,854,050,000	18,540
Issue of shares pursuant to share subscription	(c)(ii)	2,672,515,000	26,725
At 31 March 2003 and 31 March 2004		4,536,565,000	45,365

Details of changes in the authorised and issued share capital of the Company for the period from 5 March, 2002 (date of incorporation) to 31 March 2003 are as follows:

- (a) The Company was incorporated on 5 March, 2002 with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each, all of which were allotted and issued at par on 5 March 2002.
- (b) Pursuant to a written resolution of the sole shareholder of the Company passed on 21 June 2002, the authorised share capital of the Company was increased by HK\$79,900,000 by the creation of an additional 7,990,000,000 shares of HK\$0.01 each.
- (c) Pursuant to written resolutions of the sole shareholder of the Company passed on 21 June 2002 and the Scheme of Arrangement (the "Scheme") sanctioned by the Supreme Court of Bermuda which became effective on 26 August 2002:
  - (i) the Company allotted and issued 1,854,050,000 new shares of HK\$0.01 each credited as fully paid in consideration for the acquisition of the entire issued share capital of Dransfield Holdings Limited ("Dransfield"). Dransfield then became a wholly owned subsidiary of the Company and the Company became the holding company of the companies now comprising the Group (the "Group Reorganisation"); and

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 27. SHARE CAPITAL (Continued)

- (ii) pursuant to a subscription agreement dated 8 January 2002, the Company issued 2,500,000,000 and 172,515,000 new shares of HK\$0.01 each in the Company at HK\$0.02 per share to DiChain Holdings and Farsight Holdings Limited, respectively. The proceeds from the shares issued were used to discharge part of the Group's outstanding indebtedness and used as general working capital of the Group.

All the shares issued during the period ended 31 March 2003 ranked pari passu with the then existing shares in all respects.

## 28. WARRANTS

Pursuant to the Scheme which became effective on 26 August 2002, the Company issued 901,533,000 warrants and each warrant carries the right to subscribe in cash for one share in the Company, credited as fully paid, at a subscription price of HK\$0.023 each.

The warrants can be exercised at any time during the two years from the date of issue of the warrants up to and including 25 August 2004. No warrants were exercised during the year. Exercise in full of such warrants would result in the issue of 901,533,000 shares of HK\$0.01 each.

## 29. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>THE COMPANY</b>				
Contributed surplus arising from the Group Reorganisation	–	45,348	–	45,348
Issue of shares pursuant to the Subscription	26,725	–	–	26,725
Net loss for the period	–	–	(58,832)	(58,832)
At 31 March 2003	26,725	45,348	(58,832)	13,241
Net loss for the year	–	–	(1,019)	(1,019)
At 31 March 2004	26,725	45,348	(59,851)	12,222

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 29. RESERVES (Continued)

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiary acquired pursuant to the Group Reorganisation, over the nominal value of the Company's shares issued in exchange thereof. Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

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

In the opinion of the directors, at the balance sheet dates, the Company did not have any reserves available for distribution to shareholders.

### THE GROUP

The capital reserve of the Group represented the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisations on 29 October 1992 and 26 August 2002 over the nominal value of the Company's shares and Dransfield's shares issued in exchange thereof respectively.

## 30. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior year:

	<b>Accelerated tax depreciation</b>	<b>Tax losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
THE GROUP			
At 1 April 2002	(38)	38	–
(Charge) credit to income for the year	(34)	34	–
At 31 March 2003	(72)	72	–
(Charge) credit to income for the year	(5)	5	–
Change in tax rate	(7)	7	–
At 31 March 2004	(84)	84	–

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 30. DEFERRED TAX (Continued)

At the balance sheet date, the Group had unused tax losses of HK\$119,909,000 (2003: HK\$141,166,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$480,000 (2003: HK\$450,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$119,429,000 (2003: HK\$140,716,000) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of HK\$40,403,000 (2003: HK\$74,044,000) that will expire before year 2009 (2003: year 2008). Other tax losses may be carried forward indefinitely.

## 31. DISPOSAL OF DISCONTINUED OPERATIONS/SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Net assets (liabilities) disposed of:		
Property, plant and equipment	18,737	10,159
Inventories	1,488	2,947
Trade and other receivables	10,460	1,889
Bank balances and cash	634	304
Trade and other payables	(3,390)	(12,416)
Bank borrowings	(16,490)	–
Minority interests	(4,253)	–
	7,186	2,883
Capital reserve realised	1,450	–
Goodwill reserve realised	(721)	(11,268)
Translation reserve realised	(1,232)	(492)
	6,683	(8,877)
(Loss) gain on disposal of discontinuing operations/subsidiaries	(3,813)	8,877
	2,870	–
Total consideration	2,870	–

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 31. DISPOSAL OF DISCONTINUED OPERATIONS/SUBSIDIARIES (Continued)

	2004 HK\$'000	2003 HK\$'000
Satisfied by:		
Cash	1,370	–
Waiver of other payables	1,500	–
	<b>2,870</b>	–
Analysis of net cash inflow (outflow) in respect of the disposal of discontinuing operations/subsidiaries:		
Cash consideration received	1,370	–
Bank balances and cash disposed of	(634)	(304)
	<b>736</b>	(304)

As explained in note 8 in 2004, the Group discontinued its businesses in production and distribution of edible oil and trading of food and beverage products at the time of disposal of certain subsidiaries. The operating results of these discontinued operations are disclosed in note 6.

In 2003, the Group discontinued its brewery production and distribution business at the time of disposal of Redruth.

The other subsidiaries disposed of during both years did not have a significant impact on the Group's turnover and operating results for both years.

## 32. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2004:

- (a) the Group entered into a settlement agreement with an investee, in which the investee settled an amount due to the Group amounting to HK\$5,745,000 by the issue of additional shares of the investee to the Group with fair value of the same amount;
- (b) the Group reclassified an amount due to a jointly controlled entity of HK\$716,000 to other payables upon disposal of the jointly controlled entity.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 32. MAJOR NON-CASH TRANSACTIONS (Continued)

During the year ended 31 March 2003:

- (a) the Group entered into a finance lease arrangement in respect of a motor vehicle with a total capital value at the inception of the lease of HK\$314,000; and
- (b) the proceeds on settlement of a loan to a minority shareholder of a subsidiary amounting to HK\$7,630,000 were set off against a loan from a minority shareholder of a subsidiary and the consideration for the acquisition of the remaining 20% of the issued share capital of a subsidiary, Dransfield Broadsino Food and Beverage Limited, by the Group from the minority shareholder. No goodwill arose as a result of the acquisition of this additional interest.

## 33. OPERATING LEASE ARRANGEMENTS

### The Group as lessee

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Minimum lease payments paid under operating leases during the year in respect of premises	979	1,003

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

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	216	1,077	198	–
In the second to fifth year inclusive	–	222	–	–
	216	1,299	198	–

Operating lease payments represent rentals payable by the Group for certain of its office premises and warehouse. Leases are negotiated for an average term of one year and rentals are fixed over the lease terms.

### The Group as lessor

Rental income earned during the year ended 31 March 2003, net of negligible outgoings, was approximately HK\$237,000 (2004: Nil). There were no committed tenants at the balance sheet dates.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 34. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Capital expenditure contracted but not provided for in the financial statements in respect of				
– acquisition of additional interest in an associate	1,362	–	–	–
– acquisition of property, plant and equipment	132	24	–	–
– investment projects	–	1,229	–	1,229
	<b>1,494</b>	1,253	–	1,229

## 35. PLEDGE OF ASSETS

At 31 March 2004, certain of the Group's investment properties and leasehold land and buildings with an aggregate carrying value of HK\$700,000 (2003: HK\$700,000) and HK\$109,863,000 (2003: HK\$113,041,000), respectively, were pledged to banks to secure loan facilities granted to the Group.

At 31 March 2003, certain of the Group's plant and machinery and equipment with an aggregate carrying value of HK\$16,906,000, were also pledged to a bank to secure loan facilities granted to the Group.

## 36. CONTINGENT LIABILITIES

At 31 March 2004, the Company had given guarantees of approximately HK\$98,945,000 (2003: HK\$56,700,000) to banks in respect of banking facilities granted to a subsidiary. The extent of such facilities utilised by the subsidiary at 31 March 2004 amounted to approximately HK\$98,940,000 (2003: HK\$56,130,000).

## 37. SHARE OPTIONS SCHEMES

### (a) Share option scheme of the Company

Pursuant to a written resolution of the sole shareholder passed on 21 June 2002, the Company's share option scheme (the "CM DiChain Scheme") was set up for the primary purpose of providing incentives to directors and eligible employees, and which will expire on 20 June 2012. Under the CM DiChain Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 37. SHARE OPTIONS SCHEMES (Continued)

### (a) Share option scheme of the Company (Continued)

The total number of shares in respect of which options may be granted under the CM DiChain Scheme is not permitted to exceed 30% of the issued share capital of the Company from time to time, without prior approval from shareholders of the Company. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the Company's issued share capital or with a value in excess of HK\$5 million, otherwise it must be approved by the shareholders of the Company.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from 12 months from the date of acceptance of the offer to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and shall not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the shares of the Company. The vesting period is 12 months from the date of grant.

The following table discloses the total entitlement of the employees (including directors) of the Company under the CM DiChain Scheme and movements in such holdings during the year:

Name of director	Exercise price HK\$	Exercisable period	Number of share options of the Company			
			Outstanding at 1.4.2003	Granted during the year	Exercised during the year	Outstanding at 31.3.2004
Fan Di	0.12	20.5.2004 – 21.6.2012	–	45,000,000	–	45,000,000
Li Xinggui	0.12	20.5.2004 – 21.6.2012	–	20,000,000	–	20,000,000
Wu Shiyue	0.12	20.5.2004 – 21.6.2012	–	25,000,000	–	25,000,000
Zheng Yingsheng	0.12	20.5.2004 – 21.6.2012	–	7,500,000	–	7,500,000
Zhu Xiaojun	0.12	20.5.2004 – 21.6.2012	–	10,000,000	–	10,000,000
Wang Shizhen	0.12	20.5.2004 – 21.6.2012	–	5,000,000	–	5,000,000
Robert Fung Hing Piu	0.12	20.5.2004 – 21.6.2012	–	1,500,000	–	1,500,000
Iain Ferguson Bruce	0.12	20.5.2004 – 21.6.2012	–	1,500,000	–	1,500,000
Barry John Buttifant	0.12	20.5.2004 – 21.6.2012	–	1,500,000	–	1,500,000
			–	117,000,000	–	117,000,000
Employees	0.12	20.5.2004 – 21.6.2012	–	32,500,000	–	32,500,000
Total			–	149,500,000	–	149,500,000

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 37. SHARE OPTIONS SCHEMES (Continued)

### (b) Share option scheme of Dransfield

Pursuant to Dransfield's share option scheme (the "Dransfield Scheme") adopted on 3 April 1993, the directors and employees of that company may, at the discretion of Dransfield's directors, be granted options to subscribe for shares in Dransfield for the primary purpose of providing incentives to directors and eligible employees. The Dransfield Scheme was cancelled on 26 August 2002.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$10 per option. Options may be exercised at any time from 12 months from the date of acceptance of the offer to the third anniversary of the date of acceptance. The exercise price was determined by the directors of Dransfield. The vesting period was 12 months from the date of grant.

The following table discloses the total entitlement of the employees (including directors) of the Company under the Dransfield Scheme and movements in such holdings during the year:

Name of director	Exercise price HK\$	Exercisable period	Number of share options of Dransfield			
			Outstanding at 1.4.2002	Granted during the year	Exercised during the year	Outstanding at 31.3.2003 and 31.3.2004
Robert Fung Hing Piu	0.18	6.3.2002 to 2.4.2003	2,000,000	-	(2,000,000)	-
Employees	0.10	21.6.2000 to 2.4.2003	50,000	-	(50,000)	-
	0.10	1.12.2001 to 2.4.2003	9,000,000	-	(9,000,000)	-
	0.18	6.3.2002 to 2.4.2003	12,350,000	-	(12,350,000)	-
			21,400,000	-	(21,400,000)	-
Total			23,400,000	-	(23,400,000)	-

The weighted average closing price of Dransfield's shares immediately before and on the dates which the options were exercised was HK\$0.28.

Total consideration received during the year for options granted was HK\$17 (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.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 March 2004*

### 38. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which is matched by employees. At the balance sheet dates, there is no forfeited contribution for the reduction in contributions payable in the future years.

Employees of subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the relevant local government authorities in the PRC. The Group is required to contribute 8% to 23.5% of payroll costs to retirement benefits scheme to fund the benefits.

The only obligation of the Group with respect to the Mandatory Provident Fund Scheme and the retirement benefit scheme is to make the specified contributions.

### 39. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group received management fee income of HK\$2,200,000 (2003: nil) from an investee. The management fee was charged in accordance with the agreement entered into by the relevant parties.

At 31 March 2004, the ultimate holding company had given corporate guarantees amounting HK\$14,135,000 (2003: Nil) to a bank in respect of banking facilities granted to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2004 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Proportion of nominal value of issued share capital/ registered capital held by the Company		Issued and fully paid share capital/ registered capital	Principal activities
		Directly	Indirectly		
Dransfield Electrical Appliances Limited	Hong Kong	–	100%	HK\$10,000	Trading of electronic household appliances
Dransfield Holdings Limited	Bermuda	100%	–	HK\$100,000	Investment holdings
Dransfield Services Limited	British Virgin Islands/PRC	–	100%	US\$1	Provision of logistics services
DiChain (Asia) Logistics Holdings Limited	British Virgin Islands/PRC	–	100%	US\$1	Provision of logistics services
DiChain Logistics Services (Shenzhen) Co., Ltd. (formerly known as Victorison Logistics Services (Shenzhen) Co., Ltd.)	PRC (Note)	–	100%	HK\$35,000,000	Provision of logistics services and property and investment holding
Victorison Logistics Limited	Hong Kong	–	100%	HK\$100,000	Provision of secretarial and management services

Note: Wholly foreign owned enterprise

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

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