



Notes to the Financial Statements

For the year ended 31 March 2005

1. General

China Conservational Power 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 and financing, 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. Impact of Recently Issued Hong Kong Financial Reporting Standards

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the “new HKFRSs”), which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. These new HKFRSs may result in changes in the future as to how the Group’s financial performance and financial position are prepared and presented.



Notes to the Financial Statements

For the year ended 31 March 2005

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.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). 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 or disposed of during the year are included or excluded in the consolidated income statement from the effective date of acquisition or disposal respectively.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

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

Investments in subsidiaries

A subsidiary is a company, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.



Notes to the Financial Statements

For the year ended 31 March 2005

3. Significant Accounting Policies (Continued)

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.

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 is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

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.



Notes to the Financial Statements

For the year ended 31 March 2005

3. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

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.

Rental income is recognised proportionally over the lease period.

Sundry income is recognised when received.

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.



Notes to the Financial Statements

For the year ended 31 March 2005

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.

Construction in progress

Construction in progress represents factories and office buildings on which construction work has not been completed and machinery pending installation and which, upon completion, management intends to hold for production purpose or for its own use. Construction in progress is carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, the construction in progress is transferred to property, plant and equipment at cost less provision for impairment losses. Construction in progress is not depreciated until such time as the assets are completed and ready for their intended use.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value is based on estimated selling price less any estimated costs to be incurred to completion and disposal.



Notes to the Financial Statements

For the year ended 31 March 2005

3. Significant Accounting Policies (Continued)

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.

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.



Notes to the Financial Statements

For the year ended 31 March 2005

3. 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 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.

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.



Notes to the Financial Statements

For the year ended 31 March 2005

3. Significant Accounting Policies (Continued)

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.



Notes to the Financial Statements

For the year ended 31 March 2005

3. Significant Accounting Policies (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.



Notes to the Financial Statements

For the year ended 31 March 2005

3. Significant Accounting Policies (Continued)

Contingent liabilities and contingent assets

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

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

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Segment reporting

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

In accordance with the Group's internal financial reporting, the Group has determined that business segment information be presented as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.



Notes to the Financial Statements

For the year ended 31 March 2005

3. Significant Accounting Policies (Continued)

Segment reporting (Continued)

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenues, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

Employee benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.



Notes to the Financial Statements

For the year ended 31 March 2005

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, interest income from unsecured loans, company secretarial service income and internet travel booking service income during the year, and is analysed as follows:

	2005 HK\$'000	2004 HK\$'000
Electrical engineering contracting	43,307	104,812
Sea freight forwarding service income	49,010	34,637
Sales of goods	4,616	19,782
Brokerage income from securities dealing	2,405	4,960
Margin interest from securities brokerage business	1,554	1,400
Interest income from unsecured loans	1,499	–
Others	36	652
	102,427	166,243

5. Business and Geographical Segments

(a) Business segments

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

- Electrical engineering contracting
- Sale of electrical goods
- Securities brokerage and financing
- Sea freight forwarding services



Notes to the Financial Statements

For the year ended 31 March 2005

5. Business and Geographical Segments (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting HK\$'000	Sale of electrical goods HK\$'000	Securities brokerage and financing HK\$'000	Sea freight forwarding services HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the year ended 31 March 2005							
TURNOVER							
External sales	43,307	3,306	5,458	49,010	1,346	-	102,427
Inter-segment sales	-	1,670	-	-	-	(1,670)	-
Total revenue	43,307	4,976	5,458	49,010	1,346	(1,670)	102,427
Inter-segment sales are charged at prevailing market rates.							
RESULTS							
Segment results	(2,977)	(821)	250	(312)	(3,835)	-	(7,695)
Other operating income							3,792
Unrealised holding losses on listed other investments							(68)
Unallocated expenses							(86,785)
Loss from operations							(90,756)
Finance costs							(394)
Share of results of associates							(3,596)
Gain on disposal of subsidiaries							595
Share of results of a joint venture							(2,601)
Loss before taxation							(96,752)
Taxation							(36)
Loss before minority interests							(96,788)
Minority interests							2,412
Net loss for the year							(94,376)



Notes to the Financial Statements

For the year ended 31 March 2005

5. Business and Geographical Segments (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting HK\$'000	Sale of electrical goods HK\$'000	Securities brokerage and financing HK\$'000	Sea freight forwarding services HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
As at 31 March 2005							
ASSETS							
Segment assets	14,276	3,053	49,258	13	400	-	67,000
Interests in associates							2,467
Unallocated corporate assets							175,256
Consolidated total assets							244,723
LIABILITIES							
Segment liabilities	10,263	1,423	3,375	94	116	-	15,271
Unallocated corporate liabilities							40,353
Consolidated total liabilities							55,624
OTHER INFORMATION							
Additions of property, plant and equipment and intangible assets	5	-	242	-	323	2,224	2,794
Amortisation of goodwill and trading right	-	-	251	-	78	282	611
Depreciation	265	143	305	-	84	2,663	3,460
Impairment losses recognised in income statement	-	-	-	-	1,720	16,717	18,437
Allowance for doubtful debts	984	455	-	-	154	6,974	8,567
Loss on disposal of property, plant and equipment	-	-	618	-	-	119	737



Notes to the Financial Statements

For the year ended 31 March 2005

5. Business and Geographical Segments (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting HK\$'000	Sale of electrical goods HK\$'000	Securities brokerage and financing HK\$'000	Sea freight forwarding services HK\$'000	Internet travel booking services HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated 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)

Notes to the Financial Statements

For the year ended 31 March 2005

5. Business and Geographical Segments (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting HK\$'000	Sale of electrical goods HK\$'000	Securities brokerage and financing HK\$'000	Sea freight forwarding services HK\$'000	Internet travel booking services HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated 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 2005

5. Business and Geographical Segments (Continued)

(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, sale of electrical goods, securities brokerage and financing, and sea freight forwarding services are located in Hong Kong. Work-in-progress of electric factory is located in the PRC.

Over 90% of the Group's revenues during the two years ended 31 March 2005 were from Hong Kong. Accordingly, no geographical information on revenue is presented.

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		Additions to property, plant, equipment and intangible assets For the year ended	
	At 31 March		31 March	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong	121,334	203,662	2,174	3,732
The PRC	123,117	80,083	620	–
	244,451	283,745	2,794	3,732
Others	272	73	–	–
	244,723	283,818	2,794	3,732

Notes to the Financial Statements

For the year ended 31 March 2005

6. Other Operating Income

	2005 HK\$'000	2004 HK\$'000
Other operating income includes:		
Gain on disposal of investments in unlisted other investments	–	500
Gain on disposal of development rights	100	–
Handling charges	120	267
Interest income	2,295	2,635
Rental income	640	–
Sundry income	757	199
	3,912	3,601

7. Impairment Losses

	2005 HK\$'000	2004 HK\$'000
Impairment losses in respect of:		
Investments in unlisted other investments (note 22)	10,700	–
Goodwill arising from acquisition of an associate	5,364	–
Goodwill arising from acquisition of subsidiaries (note 17)	2,373	22,010
	18,437	22,010



Notes to the Financial Statements

For the year ended 31 March 2005

8. Loss from Operations

	2005 HK\$'000	2004 HK\$'000
Loss from operations has been arrived at after charging:		
Allowance for doubtful debts	8,567	187
Amortisation of goodwill arising on acquisition of subsidiaries included in administrative expenses (note 17)	78	1,501
Amortisation of goodwill arising on acquisition of an associate included in administrative expenses	282	–
Amortisation of trading right in respect of securities trading included in administrative expenses (note 20)	251	251
Auditors' remuneration	530	484
Bad debts written off	–	11
Cost of inventories recognised as expense	3,860	13,140
Depreciation of property, plant and equipment		
Owned assets	3,156	3,387
Assets under finance leases	304	170
Exchange losses	674	105
Provision for obsolete inventories	115	–
Provision for amount due from an investee company	5,995	–
Provision for amount due from an associate	22,354	–
Loss on disposal of property, plant and equipment	737	103
Loss on disposal of listed other investments	4,753	–
Operating lease rentals in respect of		
– rented premises	5,193	4,497
– motor vehicles	83	647
Staff costs		
Directors' remuneration (note 9)		
– fees	989	179
– other emoluments	4,958	5,926
– retirement benefit scheme contributions	36	38
	5,983	6,143
Other staff costs	13,160	17,870
Other staff retirement benefit scheme contributions	460	595
	13,620	18,465
Total staff costs	19,603	24,608



Notes to the Financial Statements

For the year ended 31 March 2005

9. Directors' and Employees' Emoluments

(a) Directors' emoluments

	2005 HK\$'000	2004 HK\$'000
Fees:		
Executive directors	–	–
Non-executive director	765	–
Independent non-executive directors	224	179
	989	179
Other emoluments for non-executive director:		
Salaries and other benefits	136	–
Other emoluments for executive directors:		
Salaries and other benefits	4,822	5,926
Contributions to retirement benefit schemes	36	38
	4,858	5,964
	5,983	6,143

Note: The directors' salaries and other benefits include operating lease rentals amounting to HK\$1,675,000 (2004: HK\$2,218,000) 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:

	2005 Number of directors	2004 Number of directors
Nil to HK\$1,000,000	10	7
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,500,001 to HK\$4,000,000	–	1
	11	9



Notes to the Financial Statements

For the year ended 31 March 2005

9. Directors' and Employees' Emoluments (Continued)

(a) Directors' emoluments (Continued)

Two directors and one director have voluntarily waived their monthly monetary-based directors' emoluments with effect from 1 July 2004 and 1 October 2004 respectively. During the year, these directors received directors' emoluments amounting to HK\$420,000 (2004: HK\$68,000) and HK\$972,000 (2004: HK\$2,106,000) respectively. Save as aforesaid, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(b) Employees' emoluments

Of the five individuals with the highest emoluments of the Group, three (2004: three) were directors of the Company whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining two (2004: two) highest paid individuals were as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and benefits	1,547	2,142
Contributions to retirement benefit schemes	20	47
	1,567	2,189

The emoluments of the employees were within the following bands:

	2005 Number of employees	2004 Number of employees
Nil to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	–	1
	2	2

Note: During the year ended 31 March 2005, one director of the Company resigned and remained as an employee of the Group. His remuneration as a director amounting to HK\$916,000 already disclosed in (a) above have also been taken into account with other remuneration received as an employee of the Group for the determination of the two highest paid individuals during the year ended 31 March 2005. Accordingly, the remuneration of the remaining two highest paid individuals as disclosed above includes his remuneration as a director of HK\$916,000.



Notes to the Financial Statements

For the year ended 31 March 2005

10. Finance Costs

	2005 HK\$'000	2004 HK\$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	357	310
Interest on obligations under finance leases	29	16
Interest on other borrowings	8	–
	394	326

11. Taxation

	2005 HK\$'000	2004 HK\$'000
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current year	–	324
Underprovision (overprovision) in prior years	36	(238)
	36	86

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year.

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



Notes to the Financial Statements

For the year ended 31 March 2005

11. Taxation (Continued)

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

	2005		2004	
	HK\$'000	%	HK\$'000	%
Loss before taxation	96,752		57,399	
Tax credit at the domestic income tax rate of 17.5% (2004: 17.5%)	16,932	17.5	10,045	17.5
Tax effect of share of results of associates	(629)	(0.7)	(51)	(0.1)
Tax effect of share of results of a joint venture	(455)	(0.5)	(2,425)	(4.2)
Tax effect of expenses that are not deductible in determining taxable profit	(8,138)	(8.4)	(4,292)	(7.5)
Tax effect of income that is not taxable in determining taxable profit	125	0.1	1,411	2.5
Tax effect of tax losses not recognised	(8,452)	(8.7)	(5,377)	(9.4)
Tax effect of tax losses utilised but not previously recognised	13	–	256	0.5
Effect of different tax rates of subsidiaries operating in other jurisdictions	652	0.7	82	0.1
(Underprovision) overprovision in prior years	(36)	–	238	0.4
Others	(48)	–	27	0.1
Taxation charge for the year	(36)	–	(86)	(0.1)

Details of deferred taxation are disclosed in note 45 to the financial statements.



Notes to the Financial Statements

For the year ended 31 March 2005

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.

13. Loss per Share

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

	2005 HK\$'000	2004 HK\$'000
Loss for the purposes of basic loss per share	(94,376)	(57,198)
	'000	'000
Weighted average number of ordinary shares for the purposes of basic loss per share	338,518	247,697

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.



Notes to the Financial Statements

For the year ended 31 March 2005

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 2004	6,287	5,480	3,857	2,826	18,450
Additions	181	173	671	1,769	2,794
Disposals	(964)	(87)	(68)	(2,072)	(3,191)
At 31 March 2005	5,504	5,566	4,460	2,523	18,053
DEPRECIATION					
At 1 April 2004	2,034	3,276	2,512	985	8,807
Provided for the year	1,211	865	725	659	3,460
Eliminated on disposals	(418)	(44)	(27)	(1,022)	(1,511)
At 31 March 2005	2,827	4,097	3,210	622	10,756
NET BOOK VALUES					
At 31 March 2005	2,677	1,469	1,250	1,901	7,297
At 31 March 2004	4,253	2,204	1,345	1,841	9,643

The net book value of motor vehicles of HK\$1,901,000 (2004: HK\$1,841,000) as at the balance sheet date included an amount of HK\$1,331,000 (2004: HK\$530,000) in respect of assets held under finance leases.



Notes to the Financial Statements

For the year ended 31 March 2005

14. Property, Plant and Equipment (Continued)

	Office equipment HK\$'000
THE COMPANY	
COST	
At 1 April 2004 and at 31 March 2005	157
DEPRECIATION	
At 1 April 2004	55
Provided for the year	40
At 31 March 2005	95
NET BOOK VALUES	
At 31 March 2005	62
At 31 March 2004	102

61

15. Investments in Subsidiaries

	THE COMPANY	
	2005	2004
	HK\$'000	HK\$'000
Unlisted shares	15,186	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.

The amounts due from (to) subsidiaries are unsecured, interest free and repayable on demand.

Particulars of the Company's principal subsidiaries at 31 March 2005 are set out in note 50.



Notes to the Financial Statements

For the year ended 31 March 2005

16. Construction in Progress

Construction in progress represents the building cost incurred on the construction of a plant for the operation of the waste incineration and process business. As at the balance sheet date, construction cost is analysed as follows:–

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Construction costs	18,958	–
Consultation fees	853	–
Decoration costs	342	–
Government fees and levies	1,202	–
Inspection fees	768	–
Installation fees	3,070	–
Licence fee	4,750	–
Project design fee	1,947	–
	31,890	–

The Group also paid RMB82,555,000 (approximately HK\$78,427,000) (2004: Nil) as deposits for the procurement of plant and machinery for the construction of the waste incineration and processing plant in Dongguan, the PRC.



Notes to the Financial Statements

For the year ended 31 March 2005

17. Goodwill

	THE GROUP
	HK\$'000
<hr/>	
COST	
At 1 April 2004	27,488
Arising on acquisition of subsidiaries during the year	653
	<hr/>
At 31 March 2005	28,141
	<hr/>
AMORTISATION AND IMPAIRMENT	
At 1 April 2004	25,690
Charge for the year	78
Impairment loss recognised for the year	2,373
	<hr/>
At 31 March 2005	28,141
	<hr/>
NET BOOK VALUES	
At 31 March 2005	–
	<hr/> <hr/>
At 31 March 2004	1,798
	<hr/> <hr/>

The amortisation period adopted for goodwill is 20 years.

As at the balance sheet date, an impairment loss of HK\$2,373,000 (2004: HK\$22,010,000) has been recognised in respect of the goodwill arising from the acquisition of subsidiaries as the directors considered that the recoverable amount of the goodwill is minimal due to their continuing operating losses.



Notes to the Financial Statements

For the year ended 31 March 2005

18. Interests in Associates

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Share of net (liabilities) assets	(10,607)	6,063
Goodwill, net of accumulated amortisation and impairment losses	–	–
Amount due from an associate, net of allowance (Note)	13,074	–
	2,467	6,063

Note: The amount due is unsecured, interest free and has no fixed terms of repayment.

Particulars of the associates as at 31 March 2005 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Class of shares held	Effective percentage of equity interest held		Principal activities
				Direct	Indirect	
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
United Asia Terminal Holdings Limited	Incorporated	British Virgin Islands/ The PRC	Ordinary	40%	–	Investment holding
Shanghai Fortune Limited	Incorporated	Hong Kong/ The PRC	Ordinary	–	40%	Investment holding
Fortune Union Investment Limited	Incorporated	Hong Kong/ The PRC	Ordinary	–	40%	Investment holding
Shanghai United Asia Container Services Co Ltd 上海聯亞集裝箱服務有限公司	Sino-foreign equity joint venture	The PRC/ The PRC	Registered capital	–	36%	Operation of container depots and provision of logistics management services business



Notes to the Financial Statements

For the year ended 31 March 2005

19. Interest in a Joint Venture

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Share of net assets	–	2,601

As at 31 March 2005, the Group 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

65

20. Intangible Asset

	THE GROUP HK\$'000
COST	
At 1 April 2004 and at 31 March 2005	2,380
AMORTISATION AND IMPAIRMENT	
At 1 April 2004	1,627
Charge for the year	251
At 31 March 2005	1,878
NET BOOK VALUES	
At 31 March 2005	502
At 31 March 2004	753

The intangible asset represents one trading right in the Stock Exchange.



Notes to the Financial Statements

For the year ended 31 March 2005

21. Other Assets

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
The Stock Exchange		
– Compensation fund deposits	50	50
– Fidelity fund deposits	50	50
– Stamp duty deposits	5	30
Hong Kong Securities Clearing Company Limited		
– Guarantee fund contribution	50	190
– Admission fees	50	50
At 31 March	205	370

66

22. Investments in Securities

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Other investments		
Equity securities:		
Listed, Hong Kong	80	16,660
Unlisted	10,700	10,700
	10,780	27,360
Impairment loss	(10,700)	–
At 31 March	80	27,360
Market value of listed securities	80	16,660



Notes to the Financial Statements

For the year ended 31 March 2005

23. Retention Money Receivable

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Retention money receivable	6,202	10,077
Less: Amounts receivable within one year included in current assets	(932)	(4,857)
Amounts receivable after one year	5,270	5,220

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

24. Development Rights

On 13 December 2004, the Group disposed of two development rights in respect of two pieces of land under a medium term lease in the New Territories, Hong Kong, at a consideration of HK\$3,100,000 to a third party.

At 31 March 2004, 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.

25. Inventories

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Finished goods	472	1,187

Included above are finished goods of HK\$115,900 (2004: Nil) which were carried at net realisable value as at the balance sheet date.



Notes to the Financial Statements

For the year ended 31 March 2005

26. Amounts due from Customers for Contract Work

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Contract costs incurred plus recognised profits		
less recognised losses	84,352	142,599
Less: Progress billings	(79,368)	(133,893)
	4,984	8,706

27. Progress Payments Receivable

The aged analysis of progress payments receivable is as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
0 to 30 days	1,329	9,162
31 to 60 days	7	428
61 to 90 days	269	–
91 to 180 days	250	–
More than 180 days	387	1,876
	2,242	11,466

28. Loans Receivable

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Loans receivable, interest bearing	38,823	38,795
Margin receivables (Note)	19,757	16,950
	58,580	55,745

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.



Notes to the Financial Statements

For the year ended 31 March 2005

29. Amount due from an Investee Company

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

30. Amounts due from (to) Associates

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

31. 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	
	2005	2004
	HK\$'000	HK\$'000
0 to 30 days	816	12,513
31 to 60 days	112	1,226
61 to 90 days	198	5,864
91 to 180 days	–	305
More than 180 days	242	248
	1,368	20,156



Notes to the Financial Statements

For the year ended 31 March 2005

32. Investment Deposits

	THE GROUP	
	2005 HK\$'000	2004 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 which is licensed to operate an internet cafe chain (Note e)	20,000	–
	30,000	45,231
Carrying amount analysed for reporting purposes as:		
Current assets	30,000	24,000
Non-current assets	–	21,231
	30,000	45,231

Notes:

- (a) The deposit represents the amounts for the intended acquisition of the investments which were cancelled during the year and the deposit was refunded.
- (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.



Notes to the Financial Statements

For the year ended 31 March 2005

32. Investment Deposits (Continued)

- (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. On 18 July 2005, half of the deposit amounting to HK\$5,000,000 was refunded.
- (d) The deposit represents the amounts for the intended acquisition of the investments which were cancelled during the year and the deposit was refunded.
- (e) 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 licensed to operate an 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 24 November 2004 to extend the exclusivity period for conducting due diligence review on the affairs of the PRC company to 22 December 2004. The intended acquisition of the investments were subsequently cancelled after the balance sheet date and the deposit was fully refunded.

71

33. Retention Money Payable

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Retention money payable	2,415	3,460
Less: Amounts payable within one year included in current liabilities	(756)	(1,710)
Amounts payable after one year	1,659	1,750

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



Notes to the Financial Statements

For the year ended 31 March 2005

34. Accounts Payable, Other Payables and Accrued Charges

Included in accounts payable, other payables and accrued charges are trade creditors amounting to HK\$4,756,000 (2004: HK\$14,548,000). The aged analysis of trade creditors is as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
0 to 30 days	695	4,474
31 to 60 days	217	2,466
61 to 90 days	202	2,765
91 to 180 days	45	1,264
More than 180 days	3,597	3,579
	4,756	14,548

72

35. Obligations under Finance Leases

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Amounts payable under finance leases:				
Within one year	445	252	405	235
More than one year but not exceeding two years	305	166	275	155
More than two years but not exceeding five years	719	27	646	25
	1,469	445	1,326	415
Less: Future finance charges	(143)	(30)	–	–
Present value of lease obligations	1,326	415	1,326	415
Less: Amounts due for settlement within one year			(405)	(235)
Amounts due for settlement after one year			921	180



Notes to the Financial Statements

For the year ended 31 March 2005

36. Bank Borrowings

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Bank overdrafts (secured)	9,397	4,466

37. Share Capital

	Number of shares	Amount HK\$'000
Shares of HK\$0.10 each		
Authorised:		
Balance as at 1 April 2003, 31 March 2004 and 31 March 2005	1,000,000,000	100,000
Issued and fully paid:		
Balance as at 1 April 2003	223,800,000	22,380
Shares issued on 21 October 2003 (Note 1)	44,760,000	4,476
Shares issued on 5 March 2004 (Note 2)	53,712,000	5,371
Balance as at 31 March 2004	322,272,000	32,227
Shares issued on 30 December 2004 (Note 3)	64,454,000	6,445
Balance as at 31 March 2005	386,726,000	38,672

Notes:

1. 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 was to 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 was to 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.



Notes to the Financial Statements

For the year ended 31 March 2005

37. Share Capital (Continued)

2. 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 was to 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.
3. On 30 December 2004, the Company placed a total of 64,454,000 new shares of HK\$0.10 each of the Company at a consideration of HK\$0.23 per share, through Kingston Securities Limited, to independent investors pursuant to the placing underwriting agreement dated 4 November 2004. The net proceeds of the placing amounted approximately HK\$14.4 million and will be used for making future investments. 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.

38. 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.



Notes to the Financial Statements

For the year ended 31 March 2005

38. Share Options (Continued)

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.

An ordinary resolution relating to the refreshment of the limit to grant of option under the New Option Scheme was duly passed at the Extraordinary General Meeting held on 18 March 2005.

At 31 March 2005, the number of shares in respect of which options had been granted and remaining outstanding under share option schemes of the Company was 18,730,000 (2004: 24,680,000), representing 4.8% (2004: 7.7%) of the shares of the Company in issue at that date.



Notes to the Financial Statements

For the year ended 31 March 2005

38. 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 2005

Option type	Outstanding at 1 April 2004	Granted during the year	Lapsed during the year	Outstanding at 31 March 2005
2002A	2,000,000	–	–	2,000,000
2003A	500,000	–	(500,000)	–
2003C	2,000,000	–	–	2,000,000
2003D	2,000,000	–	–	2,000,000
2004A	2,200,000	–	(2,000,000)	200,000
2004B	10,600,000	–	(2,200,000)	8,400,000
2004C	5,380,000	–	(1,750,000)	3,630,000
2005A	–	500,000	–	500,000
Total	24,680,000	500,000	(6,450,000)	18,730,000



Notes to the Financial Statements

For the year ended 31 March 2005

38. Share Options (Continued)

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



Notes to the Financial Statements

For the year ended 31 March 2005

38. 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 2005

Option type	Outstanding at 1 April 2004	Granted during the year	Lapsed during the year	Outstanding at 31 March 2005
2002A	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	10,000,000	–	(2,000,000)	8,000,000

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



Notes to the Financial Statements

For the year ended 31 March 2005

38. 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
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
2005A	1 April 2004	1 April 2004 to 31 March 2009	0.700	0.7000

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 2005

39. 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 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
Share premium arising from issue of shares	8,379	–	–	–	–	8,379
Share issue expenses	(379)	–	–	–	–	(379)
Exchange difference arising on translation of financial statements of operations outside Hong Kong	–	–	–	468	–	468
Net loss for the year	–	–	–	–	(94,376)	(94,376)
At 31 March 2005	210,790	13,524	1,848	431	(125,328)	101,265

The accumulated losses of the Group included accumulated losses of HK\$23,633,000 (2004: HK\$17,436,000) attributable to associates and the joint venture of the Group.



Notes to the Financial Statements

For the year ended 31 March 2005

39. Reserves (Continued)

THE COMPANY

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 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
Net loss for the year	–	–	(93,224)	(93,224)
Share premium arising from issue of shares	8,379	–	–	8,379
Share issue expenses	(379)	–	–	(379)
At 31 March 2005	210,790	80,657	(190,239)	101,208

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 2005 represent the net balance of the share premium, contributed surplus and accumulated losses of HK\$101,208,000 (2004: HK\$186,432,000).



Notes to the Financial Statements

For the year ended 31 March 2005

40. Major Non-Cash Transactions

- (a) During the year ended 31 March 2005, the Group entered into a finance lease for HK\$1,250,000 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\$1,105,000, prepayment of hire purchase of HK\$139,000 and settlement of related expenses of HK\$6,000.
- (b) 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.
- (c) 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.
- (d) 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.

41. 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 HK\$228,000 (2004: Nil)

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 wholly owned subsidiaries.



Notes to the Financial Statements

For the year ended 31 March 2005

42. Capital Commitments

Capital commitments outstanding as at 31 March 2005 not provided for in the financial statements were as follows:

	THE GROUP	
	2005	2004
	HK\$'000	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 32(b))	–	6,769
– the construction for the waste incineration and processing plant in Dongguan, the PRC	70,267	–
– 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
	70,267	55,219
Authorised but not contracted for in respect of		
– the construction for the waste incineration and processing plant in Dongguan, the PRC	130,687	–
	200,954	55,219

All the above commitments were incurred for the Dongguan waste incineration and processing plant which was sold to a connected party in July 2005, further details of which are set out in the Company's circular dated 17 May 2005.

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



Notes to the Financial Statements

For the year ended 31 March 2005

43. 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	
	2005	2004
	HK\$'000	HK\$'000
Land and buildings:		
Operating lease which expire:		
– within one year	1,559	4,066
– in the second to fifth year inclusive	894	455
	2,453	4,521

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 (2004: two) years.

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

Notes to the Financial Statements

For the year ended 31 March 2005

44. Purchase and Disposal of Subsidiaries

(a) Purchase of Subsidiaries

On 2 June 2004, the Group acquired the remaining 49% of the issued share capital of Topeast Engineering Limited at a consideration of HK\$49,000. On 9 September 2004, the Group acquired the remaining 49% of the issued share capital of Country Super Limited at a consideration of HK\$490,000.

Summary of the effects of the acquisition of subsidiaries are as follows:

	2005 HK\$'000	2004 HK\$'000
Net assets acquired:		
Property, plant and equipment	–	23
Accounts receivable	–	320
Bank balances and cash	–	35
Taxation	–	(52)
Deferred taxation	–	(2)
Accounts payable, other payables and accrued charges	–	(200)
Minority interest	(114)	–
Net (liabilities) assets acquired	(114)	124
Goodwill arising on acquisition	653	1,876
Cash consideration	539	2,000
Net cash outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:		
Cash consideration	539	2,000
Bank balances and cash acquired	–	(35)
	539	1,965

The subsidiaries acquired during the year contributed approximately nil (2004: HK\$642,000) to the Group's turnover and a loss of approximately HK\$465,000 (2004: HK\$124,000) to the Group for the year.



Notes to the Financial Statements

For the year ended 31 March 2005

44. Purchase and Disposal of Subsidiaries (Continued)

(b) Disposal of Subsidiaries

Summary of the effects of the disposal of subsidiaries are as follows:

	2005 HK\$'000	2004 HK\$'000
Net liabilities disposed of:		
Bank balances and cash	1	–
Trade and other payables	(591)	–
Net liabilities disposed of	(590)	–
Gain on disposal of subsidiaries	595	–
Cash consideration received	5	–
Net cash inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Bank balances and cash disposed of	(1)	–
Cash consideration received	5	–
	4	–

The results of the subsidiaries disposed of in the year ended 31 March 2005 had no significant impact on the Group's consolidated turnover or loss after tax for the year.



Notes to the Financial Statements

For the year ended 31 March 2005

45. 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 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
(Credit) charge to income for the year	(189)	189	–
At 31 March 2005	62	(60)	2



Notes to the Financial Statements

For the year ended 31 March 2005

45. Deferred Taxation (Continued)

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:

	2005 HK\$'000	2004 HK\$'000
Deferred tax liabilities	2	2
Deferred tax assets	-	-
	2	2

At 31 March 2005, the Group has unused tax losses of approximately HK\$115,000,000 (2004: HK\$68,500,000) available for offset against future profits. A deferred tax asset has been recognised for the year ended 31 March 2005 in respect of approximately HK\$343,000 (2004: HK\$1,420,000) 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 (2004: HK\$3,200,000) that will expire after 5 years from the year of assessment they relate to. Other unrecognised tax losses may be carried forward indefinitely.

46. Pledge of Assets

At 31 March 2005, the Group had pledged bank deposits of approximately HK\$2 million (2004: HK\$4 million) to secure certain bank facilities available to the Group.

In addition, the Group's overdrafts of HK\$8,490,000 as at the balance sheet date were secured on the securities held by the Group on behalf of its customers.

47. 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.



Notes to the Financial Statements

For the year ended 31 March 2005

47. Retirement Benefits Schemes (Continued)

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% (2004: 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.

48. Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant related party transactions during the year:

- (a) The Group received rental income of HK\$620,000 (2004: Nil) and sale proceeds on disposal of a motor vehicle of HK\$200,000 (2004: Nil) from Abba China Holdings Limited, which is a wholly owned subsidiary of China Sciences Conservational Power Limited (formerly known as Central China Enterprises Limited) of which Mr. Hon Ming Kong and Mr. Chan Tat Chee are directors and have beneficial interests.
- (b) The Group paid rental expenses of approximately HK\$520,000 (HK\$587,000) and building management fees of approximately HK\$137,000 (HK\$161,000) to Major Glory Enterprises Limited, which a former substantial shareholder of the Company, Mr. Lai Sai Sang has beneficial interests.



Notes to the Financial Statements

For the year ended 31 March 2005

49. Post Balance Sheet Events

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

- (a) On 22 March 2005, the Company has conditionally agreed to place, through the placing agent, Kingston Securities Limited, on a fully underwritten basis in relation to the placing of 77,344,000 new shares of the Company to not fewer than six independent investors at a price of HK\$0.40 per placing share, further details of which are set out in the announcement of the Company dated 22 March 2005. The placing of shares was completed on 21 April 2005.
- (b) The Company and China Sciences Conservational Power Limited ("CSCP") have, on 28 March 2005, entered into a term sheet containing the principal terms of the proposed disposal of (i) the 2 shares in the capital of Hong Tong Hai Investments Limited ("HTH"), an indirectly wholly owned subsidiary of the Company (the "Sale Shares"); and (ii) the amount owed by HTH to the Company as at the date of completion of the disposal (the "Sale Loan"). On 7 April 2005 and 8 April 2005, they further signed a sale and purchase agreement (the "S&P Agreement") and a supplemental agreement respectively under which the Company as the vendor and CSCP as the purchaser agreed to the sale and purchase of the Sale Shares and the Sale Loan for an aggregate consideration of HK\$76,000,000. The Sale Shares represent 100% of the issued share capital of HTH whose principal asset is 51% equity interest in Dongguan China Sciences Conservational Power Co., Ltd. 東莞中科環保電力有限公司, a sino-foreign equity joint venture established in the PRC. The consideration for the disposal is to be satisfied at completion by issue and allotment of 100,000,000 non-voting cumulative redeemable convertible preference shares, credited as fully-paid, in the share capital of the CSCP to the Company. Pursuant to the S&P Agreement, in consideration of the amount of HK\$1.00 payable by the Company to CSCP on completion of the disposal, the CSCP has agreed to grant and the Company has agreed to accept, the right to subscribe at the price of HK\$0.76 per share for 50,000,000 new option shares. The approval of the S&P Agreement and the supplemental agreement were duly passed by the independent shareholders by way of poll at the extraordinary general meeting held on 3 June 2005. Further details of the aforesaid transactions are set out in the announcements of the Company dated 12 April 2005 and 3 June 2005.



Notes to the Financial Statements

For the year ended 31 March 2005

49. Post Balance Sheet Events (Continued)

- (c) On 4 May 2005, the Group entered into a supplemental agreement in supplemental to the investment framework agreement of 3 February 2005 pursuant to which the parties agreed to extend the due diligence review period and the exclusivity period for four months to 2 September 2005. On 3 February 2005, the Group entered into the investment framework agreement in relation to the proposed acquisition of up to 49% of the equity interest of a pharmaceutical products distribution and investment company in the PRC. Pursuant to the terms of investment framework agreement, the proposed acquisition is subject to, among others, the completion of a reorganisation of the PRC company, a due diligence review of the affairs of the PRC company to the satisfaction of the Group and the negotiation and finalisation of the terms and conditions in relation thereof. Further details of the aforesaid acquisition are set out in the announcements of the Company dated 4 May 2005, 3 February 2005, 6 December 2004 and 22 November 2004.
- (d) On 12 July 2005, the Group has decided not to proceed with the proposed acquisition of not more than 50% equity interest in the PRC company, which is licensed to operate an internet cafe chain in the PRC pursuant to the letter of intent and the supplemental letter of intent. The Group has requested for a refund of the earnest money paid in the amount of HK\$20 million from the third party. The third party returned all the earnest money in aggregate amount of HK\$20 million to the Group on 12 July 2005 and 21 July 2005. Further details of the above are set out in the announcements of the Company dated 12 July 2005 and 21 July 2005.
- (e) On 15 July 2005, the Group entered into a letter of intent with an independent third party and a guarantor in relation to the proposed acquisition of certain equity interest in a PRC company, which is principally engaged in design and distribution of application software specialised for hospitals and clinics in the PRC. Pursuant to the terms of letter of intent, the Group is required to pay an amount of HK\$20 million as earnest money. On 15 July 2005, the Group has paid an amount of HK\$10 million and the remaining HK\$10 shall be paid upon commencement of the due diligence review of the affairs of the PRC company. Further details of the proposed acquisition are set out in the announcement of the Company dated 18 July 2005. The due diligence review commence on 20 July 2005.



Notes to the Financial Statements

For the year ended 31 March 2005

50. Principal Subsidiaries

Details of the Company's principal subsidiaries as at 31 March 2005, 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 5)	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 and asset management
Honsda (HK) Electronics Limited	Hong Kong	HK\$1	–	Trading of electronic products
Jetcom Limited	British Virgin Islands	US\$1	–	Investment holding



Notes to the Financial Statements

For the year ended 31 March 2005

50. Principal Subsidiaries (Continued)

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital		Principal activities
		Ordinary/ registered	Deferred	
MindGenius Secretarial Services Limited	Hong Kong	HK\$10,000	–	Provision of company secretarial services
Oriental Overseas Group Limited	British Virgin Islands	US\$50,000	–	Investment holding
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



Notes to the Financial Statements

For the year ended 31 March 2005

50. 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 5)	Electrical engineering contracting
Yew Sang Hong Trading Limited	Hong Kong	HK\$2	HK\$2 (Note 5)	Trading in electrical equipment and materials
Wellink Shipping Limited	Hong Kong	HK\$2	–	Sea freight forwarding services
東莞中科環保電力有限公司 (Note 4)	The PRC	RMB110,000,000	–	Operation of the waste incineration and processing business
北京易行商盟在線網絡技術有限公司 (Note 3)	The 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, Hong Tong Hai Logistics Limited and Oriental Overseas Group 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 subsidiary is 51% held by the Group and is a sino-foreign equity joint venture established in the PRC.



Notes to the Financial Statements

For the year ended 31 March 2005

50. Principal Subsidiaries (Continued)

5. 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.
6. None of the subsidiaries had issued any debt securities at the end of the year.
7. 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.

51. Approval of Financial Statements

The financial statements set out on pages 29 to 95 were approved and authorised for issue by board of directors on 25 July 2005.