



Notes to the Financial Statements

For the year ended March 31, 2003

(1) General

The Company is a public limited company incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries are investment holding companies.

(2) Adoption of new and revised statements of standard accounting practice

In the current year, the Group has adopted the following new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

SSAP 1 (Revised) requires the Group to present a new statement "Statement of changes in equity". The new statement reconciles movements of the equity from the beginning to the end of a year.

SSAP 15 (Revised) prescribes the revised format of the cash flow statement in which the cash flows during the year will only be classified by operating, investing and financing activities. Comparative figures have been restated in order to achieve a consistent presentation.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof.

The adoption of new and revised SSAPs as outlined above does not have material impact on results reported in the current or prior year, though the terminology used and certain disclosures have been revised in line with the new requirements.

(3) Summary of significant accounting policies

The financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). They have been prepared under the historical cost convention, as modified with respect to the measurement of investments in securities as explained in the respective accounting policies below. The principal accounting policies adopted are set out below:

BASIS OF CONSOLIDATION

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

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

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



Notes to the Financial Statements

For the year ended March 31, 2003

(3) Summary of significant accounting policies (Continued)

INVESTMENTS IN SUBSIDIARIES

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

INVESTMENTS IN SECURITIES

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

At subsequent reporting dates, debts securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity securities is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

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 on individual basis. The amount of the reduction is recognised as an expense in the income statement.

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

IMPAIRMENT OF ASSETS

At each balance sheet date, the Company assesses whether there is indication that investments in subsidiaries have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of the net selling price and value in use of an asset. The net selling price is the amount that could be obtained from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.



Notes to the Financial Statements

For the year ended March 31, 2003

(3) Summary of significant accounting policies (Continued)

IMPAIRMENT OF ASSETS (Continued)

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

FOREIGN CURRENCIES

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

TAXATION

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

PROVISIONS AND CONTINGENCIES

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

REVENUE RECOGNITION

Sale proceeds of investments in securities are recognised on a trade date basis.

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

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.



Notes to the Financial Statements

For the year ended March 31, 2003

(3) Summary of significant accounting policies (Continued)

RELATED PARTIES

Two 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits with banks, 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.

EMPLOYEE BENEFITS

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

The Group operates a defined contribution mandatory provident fund scheme (the "MPF Scheme") which is available to all employees. Contributions to the MPF Scheme by the Group and its employees are calculated at 5% of the employees' basic salaries with a maximum cap HK\$1,000 per month. The Group's contributions to the fund are expensed as incurred and the assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund.

(4) Turnover

The Group principally invests in listed and unlisted securities, including equity securities and convertible bonds.

The analysis of turnover for the year is follows:

	2003 HK\$	2002 HK\$
Proceeds from sale of listed equity securities	2,697,639	27,510,942
Dividend income from:		
– Listed equity securities	1,062,251	289,022
– Unlisted equity securities	4,420,000	–
	<u>8,179,890</u>	<u>27,799,964</u>

No analysis of the Group's turnover and contribution to operating loss for the year set out by principal activities and geographical markets is provided as the Group has only one single business segment, investment holding, and all the consolidated turnover and the consolidated results of the Group are attributable to markets in Hong Kong.



Notes to the Financial Statements

For the year ended March 31, 2003

(5) Other revenue

The analysis of other revenue for the year is as follows:

	2003 HK\$	2002 HK\$
Interest income	632,074	1,285,784
Other income	12,500	—
	<u>644,574</u>	<u>1,285,784</u>

(6) (Loss) Profit from operations

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

	2003 HK\$	2002 HK\$
Auditors' remuneration	80,000	106,000
Provision for bad debts	50,000	—
Investment management fee	958,242	1,343,368
Staff costs, including HK\$14,384 (2002: HK\$13,900) to defined contribution MPF scheme	<u>458,384</u>	<u>447,900</u>

(7) Finance costs

	2003 HK\$	2002 HK\$
Interest on:		
Bank overdrafts	1	20
Other borrowings wholly repayable within five years	<u>61,112</u>	<u>388</u>
	<u>61,113</u>	<u>408</u>



Notes to the Financial Statements

For the year ended March 31, 2003

(8) Directors' and employees' emoluments

	2003 HK\$	2002 HK\$
<i>Fees:</i>		
Executive directors	48,000	38,000
Independent non-executive directors	36,000	36,000
<i>Other emoluments:</i>		
Defined contributions to MPF Scheme	2,400	1,900
	86,400	75,900

The aggregate emoluments of each of the directors during the year were within the emoluments band ranging from nil to HK\$1,000,000.

Of the five individuals with the highest emoluments in the Group, four (2002: four) were also directors of the Company whose emoluments are included above. The emoluments of the remaining individual are as follows:

	2003 HK\$	2002 HK\$
Salaries and other benefits	360,000	360,000
Defined contributions to MPF Scheme	11,984	12,000
	371,984	372,000

The emoluments of the above employee are within the band of nil to HK\$1,000,000.



Notes to the Financial Statements

For the year ended March 31, 2003

(9) Taxation

- (a) Taxation in the consolidated income statement represents:

Hong Kong profits tax

Overprovision in respect of prior year

- (b) Tax payable in the consolidated balance sheet represents:

Hong Kong profits tax

Balance of profits tax payable in respect of prior year

2003 HK\$	2002 HK\$
200,000	—
—	200,000

Provision for Hong Kong profits tax has not been made as there are no assessable profits for the year.

Details of the deferred taxation are set out in note (20).

(10) Net (loss) profit for the year attributable to shareholders

Of the Group's net (loss)/profit for the year attributable to shareholders, a loss of HK\$1,189,519 (2002: HK\$1,198,760) has been dealt with in the financial statements of the Company.

(11) (Loss) Earnings per share

The basic (loss) earnings per share is based on the Group's loss attributable to shareholders of HK\$18,018,215 (2002: profit of HK\$14,054,708) and the weighted average number of 1,048,671,500 (2002: 1,010,714,000) ordinary shares in issue during the year.

There is no dilution effect on the basic loss per share for the year ended March 31, 2003 as all subscription rights attaching to the 2002 warrants lapsed on June 30, 2002. The calculation of diluted earnings per share for the year ended March 31, 2002 was based on 1,033,105,658 ordinary shares which was the total of weighted average of 1,010,714,000 ordinary shares in issue during the year plus the weighted average of 22,391,658 ordinary shares deemed to be issued at no consideration if all outstanding warrants had been exercised during that year.

(12) Investments in subsidiaries

	The Company 2003 HK\$	2002 HK\$
Unlisted shares, at cost	4,187,772	4,187,764



Notes to the Financial Statements

For the year ended March 31, 2003

(12) Investments in subsidiaries (Continued)

Details of the Company's subsidiaries at March 31, 2003 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital	Percentage of equity interest held		Principal activity
			Directly %	Indirectly %	
Best Idea Development Limited	British Virgin Islands	US\$1	100	–	Investment holding
Cyber Features Limited	British Virgin Islands	US\$1	–	100	Investment holding
Luen Wing Group Limited	British Virgin Islands	US\$1	–	100	Investment holding
Profit Mind Group Limited	British Virgin Islands	US\$1	100	–	Investment holding
Super Idea International Limited	British Virgin Islands	US\$1	100	–	Investment holding
UBA Development Limited	British Virgin Islands	US\$1	100	–	Investment holding
UBA Financial Trading Limited	Hong Kong	HK\$2	100	–	Trading of securities
UBA Technologies Holdings Limited	British Virgin Islands	US\$1	100	–	Investment holding
Upbest Venture Limited	British Virgin Islands	US\$1	100	–	Investment holding

All subsidiaries are unlisted and operate in Hong Kong.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.



Notes to the Financial Statements

For the year ended March 31, 2003

(13) Investments in securities

	The Group		The Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
<i>Held-to-maturity debt securities</i>				
Unlisted convertible bonds	9,900,000	9,900,000	—	—
<i>Other investments</i>				
Unlisted equity securities	9,379,000	8,609,000	—	—
Less: Loss in value of investments in unlisted equity securities	(3,649,000)	(1,415,000)	—	—
	5,730,000	7,194,000	—	—
Listed equity securities in Hong Kong, at cost	69,823,848	60,805,874	7,344,864	1,262,625
Unrealised holding loss	(26,124,048)	(8,306,125)	(1,719,864)	(762,625)
	43,699,800	52,499,749	5,625,000	500,000
Fair value at March 31, 2003	59,329,800	69,593,749	5,625,000	500,000
Market value of listed equity securities at March 31, 2003	43,699,800	52,499,749	5,625,000	500,000
Carrying amount analysed for reporting purposes as:				
<i>Current</i>				
– Held-to-maturity debt securities	9,900,000	—	—	—
<i>Non-current</i>				
– Held-to-maturity debt securities	—	9,900,000	—	—
– Other investments	49,429,800	59,693,749	5,625,000	500,000
	49,429,800	69,593,749	5,625,000	500,000
	59,329,800	69,593,749	5,625,000	500,000



Notes to the Financial Statements

For the year ended March 31, 2003

(13) Investments in securities (Continued)

Details of the Group's investments as at March 31, 2003 are as follows:

(1) EQUITY SECURITIES LISTED ON THE STOCK EXCHANGE

Name of investee company	2003			2002		Net assets (liabilities) attributable to the Group HK\$
		Market value	Unrealised holding gain (loss)		% of total assets of the Group	
	Cost HK\$	HK\$	HK\$	Cost HK\$		
Shares						
Allied Properties (HK) Limited	2,075,850	961,382	(1,114,468)	2,075,850	1.081%	4,077,443
China Oilfield Services Limited	280,066	265,500	(14,566)	–	0.298%	569,835
Chun Wo Holdings Limited	342,427	336,630	(5,797)	–	0.378%	1,207,642
EganaGoldpfeil (Holdings) Limited	19,532,015	13,000,000	(6,532,015)	19,532,015	14.611%	11,561,403
Egana Jewellery & Pearls Limited	13,316,485	16,738,320	3,421,835	12,418,547	18.813%	12,469,616
Henderson Cyber Limited	1,262,625	230,000	(1,032,625)	1,262,625	0.259%	156,878
Hong Kong Exchanges and Clearing Limited	6,082,239	5,395,000	(687,239)	–	6.064%	3,420,914
Pacific Century Cyberworks Limited	17,410,040	3,837,968	(13,572,072)	15,994,736	4.314%	(1,124,040)
Peace Mark (Holdings) Limited	1,732,016	420,000	(1,312,016)	1,732,016	0.472%	1,005,321
Tonic Industries Holdings Limited	7,790,085	2,515,000	(5,275,085)	7,790,085	2.827%	6,445,552
	69,823,848	43,699,800	(26,124,048)	60,805,874		



Notes to the Financial Statements

For the year ended March 31, 2003

(13) Investments in securities (Continued)

(2) UNLISTED EQUITY SECURITIES

Details of the Group's unlisted equity securities as at March 31, 2003 are as follows:

Name of investee company	Place of incorporation	Interest in shares held	2003			2002	% of total assets of the Group	Principal activities
			Cost HK\$	Loss in value HK\$	Carrying amount HK\$	Cost HK\$		
Capital Venture Limited	Hong Kong	26%	520,000	(120,000)	400,000	–	0.45%	Property investment and money lending business
Chief Finance Limited	Hong Kong	26%	2,600,000	–	2,600,000	2,600,000	2.92%	Money lending business
Cyber Infotech Holdings Limited	British Virgin Islands	0.5%	1,165,000	(1,165,000)	–	1,165,000	–	Investments holding
Efinance28 Limited	Hong Kong	25%	1,000,000	(400,000)	600,000	1,000,000	0.67%	Provision of electronic financing services
Enviro Technology International Limited	Hong Kong	33.33%	780,000	(400,000)	380,000	780,000	0.43%	Development of battery rechargers
Fujita Glass Limited	Hong Kong	15%	250,000	–	250,000	250,000	0.28%	Trading of glasses
Fullpower Holdings Limited	British Virgin Islands	20%	1,000,000	–	1,000,000	1,000,000	1.12%	Investments holding
Hoss Virtualab Limited	Hong Kong	–	–	–	–	250,000	–	Provision of software products for education
iD Innovation Limited	Hong Kong	5.2%	1,564,000	(1,564,000)	–	1,564,000	–	Production of multimedia CD Rom products
Info Trade Investment Limited	British Virgin Islands	5%	500,000	–	500,000	–	0.56%	Investments holding
			<u>9,379,000</u>	<u>(3,649,000)</u>	<u>5,730,000</u>	<u>8,609,000</u>		



Notes to the Financial Statements

For the year ended March 31, 2003

(13) Investments in securities (Continued)

(3) UNLISTED CONVERTIBLE BONDS, UNSECURED

Convertible bonds are dated debt securities which permit the holder the right to convert the debt securities into shares of the issuers at the specified dates. Upon conversion of the convertible bonds, they will be stated at the cost of acquiring the underlying shares.

Particulars of the convertible bonds are as follows:

Name of issuer	Principal amount HK\$	Annual interest rate	Maturity date	% of total assets of the Group
IT Star Holdings Limited ("ITSHL")	9,900,000	6%	March 8, 2004	11.13%

ITSHL is a wholly owned subsidiary of Harmony Asset Limited, which is incorporated in the Cayman Islands with limited liability and with its shares listed on the Stock Exchange. The principal activity of ITSHL is investment holding. Its investee companies are principally engaged in information technology development.

Pursuant to deeds of variation dated December 6, 2002 and April 9, 2003, certain terms and conditions of the subscription agreement of the convertible bonds dated January 3, 2000 were varied or amended.

Terms and conditions being varied are summarised as follows:

- (1) The maturity date of conversion period is extended to March 8, 2004.
- (2) Upon the occurrence of full conversion of the convertible bonds or at the end of the conversion period, ITSHL may, in lieu of allotting and issuing certain fully paid shares of ITSHL to the holder of the convertible bonds as set out in the subscription agreement dated January 3, 2000, transfer to the holder of the convertible bonds for nil consideration such number of quoted investment the value of which is equal to the principal value of the convertible bonds.

(4) PARTICULARS OF MAJOR INVESTMENTS IN OTHER INVESTMENTS

Listed investments

Allied Properties (HK) Limited ("Allied Properties")

Allied Properties is principally engaged in property investment, property development, hospitality related activities and financial services.

The Group holds 4,291,885 shares in Allied Properties, representing 0.088% interest in the issued share capital of Allied Properties. No dividend was received during the year (2002: Nil). Based on the annual report of Allied Properties at December 31, 2002, the net asset value of Allied Properties were approximately HK\$4,649,214,000 (2002: HK\$4,998,000,000).



Notes to the Financial Statements

For the year ended March 31, 2003

(13) Investments in securities (Continued)

(4) PARTICULARS OF MAJOR INVESTMENTS IN OTHER INVESTMENTS (Continued)

EganaGoldpfeil (Holdings) Limited ("EganaGoldpfeil")

EganaGoldpfeil is principally engaged in design, assembly, manufacturing and distribution of timepieces, jewellery and leather products; licensing or assignment of brandnames to third parties and trading of timepiece components, jewellery and consumer electronic products.

The Group holds 10,000,000 shares in EganaGoldpfeil, representing 0.883% interest in the issued share capital of EganaGoldpfeil and derived a dividend income of HK\$100,000 (2002: HK\$129,245) for the year ended March 31, 2003. Based on the interim report at November 30, 2002, the net asset value of EganaGoldpfeil were approximately HK\$1,308,724,000 (2002: HK\$1,302,000,000).

Egana Jewellery & Pearls Limited ("Egana Jewellery")

Egana Jewellery is principally engaged in the design, manufacturing, distribution and trading of jewellery products and licensing or assignment of brandnames to third parties for the design, manufacturing and/or distribution of jewellery and consumer products other than timepieces.

The Group holds 8,628,000 shares in Egana Jewellery, representing 2.781% interest in the issued share capital of Egana Jewellery and derived a dividend income of HK\$517,680 (2002: HK\$62,685) for the year ended March 31, 2003. Based on the interim report at November 30, 2002, the net asset value of Egana Jewellery were approximately HK\$448,325,000 (2002: HK\$340,000,000).

Hong Kong Exchanges and Clearing Limited ("HKEX")

HKEX is a recognised exchange controller under the Exchanges and Clearing Houses (Merger) Ordinance ("Merger Ordinance"). It owns and has the exclusive right to operate the only stock exchange and futures exchange in Hong Kong and their related clearing houses.

The Group holds 650,000 shares in HKEX, representing 0.062% interest in the issued share capital of HKEX and derived a dividend income of HK\$279,500 for the year ended March 31, 2003. Based on the annual report at December 31, 2002, the net asset value of HKEX were approximately HK\$5,496,392,000.

Pacific Century Cyberworks Limited ("PCCW")

PCCW is principally engaged in the provision of local and international telecommunications services, internet and interactive multimedia services, the sale and rental of telecommunications equipment, and the provision of computer, engineering and other technical services mainly in Hong Kong, investment in and development of systems integration and technology-related businesses; and investment in and development of infrastructure and properties in Hong Kong and elsewhere in mainland China.

The Group holds 872,265 shares in PCCW, representing 0.019% interest in the issued share capital of PCCW. No dividend was received during the year (2002: Nil). Based on the annual report at December 31, 2002, the net liabilities of PCCW were approximately HK\$5,916,000,000 (2002: HK\$7,097,000,000).



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For the year ended March 31, 2003

(13) Investments in securities (Continued)

(4) PARTICULARS OF MAJOR INVESTMENTS IN OTHER INVESTMENTS (Continued)

Tonic Industries Holdings Limited ("Tonic")

Tonic is principally engaged in the design, manufacture and marketing of consumer video and audio products, electronic components and home appliances products.

The Group holds 10,060,000 shares in Tonic, representing 1.584% interest in the issued share capital of Tonic and derived a dividend income of HK\$150,900 (2002: HK\$70,138) for the year ended March 31, 2003. Based on the interim report at September 30, 2002, the net asset value of Tonic were approximately HK\$407,018,000 (2002: HK\$374,571,000).

Unlisted investments

Chief Finance Limited ("CFL")

CFL is principally engaged in money lending business in Hong Kong. The Group holds 2,600,000 shares in CFL, representing 26% interest in the issued share capital of CFL. CFL is not treated as an associate company because the Group has no significant influence over its financial and operating decisions. The Group received dividend income of HK\$4,420,000 (2002: Nil) for the year ended March 31, 2003. Based on the unaudited financial statements at February 28, 2003, the Group's share of the net asset value of CFL was approximately HK\$4,835,000 (2002: HK\$4,332,000).

Fullpower Holdings Limited ("Fullpower")

Fullpower is principally engaged in investments holding. The Group holds 1,000,000 shares in Fullpower, representing 20% interest in the issued share capital of Fullpower. Fullpower is not treated as an associate company because the Group has no significant influence over its financial and operating decisions. No dividend was received during the year (2002: Nil). Based on the unaudited financial statements at March 31, 2003, the Group's share of the net asset value of Fullpower was approximately HK\$1,037,000 (2002: HK\$1,016,050).

Efinance28 Limited ("Efinance28")

Efinance28 is principally engaged in provision of electronic financing services. The Group holds 1,000,000 shares in Efinance28, representing 25% interest in the issued share capital of Efinance28. Efinance28 is not treated as an associate company because the Group has no significant influence over its financial and operating decisions. No dividend was received during the year (2002: Nil). Based on the unaudited financial statements at March 31, 2003, the Group's share of the net asset value of Efinance28 was approximately HK\$618,000 (2002: HK\$671,780).

(14) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and with no fixed terms of repayment. In the opinion of the directors, the amounts are not expected to be realised within one year from the balance sheet date and are therefore included in non-current assets.



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(15) Amounts due from investee companies

	The Group	
	2003 HK\$	2002 HK\$
Amounts due from investee companies less provision of HK\$2,083,400 (2002: Nil)	26,549,000	23,512,400
Portion shown as current assets	(25,174,000)	(23,512,400)
Non-current portion and included in non-current assets	1,375,000	—

The amounts due from investee companies are unsecured, interest-free and with no fixed terms of repayment. The non-current portion of the amounts due from investee companies are not expected to be realised within one year from the balance sheet date and therefore included in non-current assets.

(16) Accounts and other receivables

	The Group		The Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Deposits and prepayments (Note)	598,615	500,000	598,615	—
Other receivables	907,240	130,000	289,560	—
	1,505,855	630,000	888,175	—

Note: As at March 31, 2003, prepayment of investment management fee of HK\$589,735 (2002: Nil) was prepaid to the investment manager, Upbest Assets Management Limited. Maximum balance outstanding during the year is HK\$589,735 (2002: Nil).

As at March 31, 2002, a deposit of HK\$500,000 was paid for the acquisition of an investment.

(17) Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest-free and with no fixed terms of repayment. In the opinion of the directors, the amounts are not expected to be repayable within one year from the balance sheet date and are therefore included in non-current liabilities.

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(18) Share capital

	Number of shares		Share capital	
	2003	2002	2003 HK\$	2002 HK\$
Authorised ordinary shares of HK\$0.01 each	<u>2,000,000,000</u>	2,000,000,000	<u>20,000,000</u>	20,000,000
Issued and fully paid				
At April 1	<u>1,010,714,000</u>	1,010,714,000	<u>10,107,140</u>	10,107,140
Issue of shares upon exercise of warrants	<u>49,064,200</u>	–	<u>490,642</u>	–
At March 31	<u>1,059,778,200</u>	1,010,714,000	<u>10,597,782</u>	10,107,140

During the year, 49,064,200 shares of HK\$0.01 each were allotted and issued at a price of HK\$0.12 per share in cash upon exercise of the subscription rights under the 2002 warrants. The remaining 140,221,800 warrants were unexercised and expired on June 30, 2002.

As at March 31, 2002, the Company had outstanding 189,286,000 warrants entitling the holders to subscribe 189,286,000 ordinary shares of the Company at any time until June 30, 2002 at a price of HK\$0.12 per share.

(19) Reserves

The Group

	Share premium HK\$	Contributed surplus HK\$	Retained profits (Accumulated losses) HK\$	Total HK\$
Balance as at 31/3/2001	87,167,293	–	(10,430,442)	76,736,851
Net profit for the year	–	–	14,054,708	14,054,708
Balance as at 31/3/2002	87,167,293	–	3,624,266	90,791,559
Shares issued at premium	5,397,062	–	–	5,397,062
Net loss for the year	–	–	(18,018,215)	(18,018,215)
Balance as at 31/3/2003	<u>92,564,355</u>	–	<u>(14,393,949)</u>	<u>78,170,406</u>

The Company

	Share premium HK\$	Contributed surplus HK\$	Accumulated losses HK\$	Total HK\$
Balance as at 31/3/2001	87,167,293	4,187,723	(821,890)	90,533,126
Net loss for the year	–	–	(1,198,760)	(1,198,760)
Balance as at 31/3/2002	87,167,293	4,187,723	(2,020,650)	89,334,366
Shares issued at premium	5,397,062	–	–	5,397,062
Net loss for the year	–	–	(1,189,519)	(1,189,519)
Balance as at 31/3/2003	<u>92,564,355</u>	<u>4,187,723</u>	<u>(3,210,169)</u>	<u>93,541,909</u>

The contributed surplus of the Company represents the difference between the net assets of its subsidiary and the nominal amount of the share capital issued by the Company at the time of the group reorganisation.



Notes to the Financial Statements

For the year ended March 31, 2003

(20) Deferred taxation

The Group

There was no material unprovided deferred taxation at March 31, 2003.

The Company

The Company had no material deferred tax assets or liabilities at the balance sheet date.

(21) Net asset value per share

The calculation of net asset value per share is based on the net assets of HK\$88,768,188 (2002: HK\$100,898,699) and the 1,059,778,200 (2002: 1,010,714,000) ordinary shares in issue as at March 31, 2003.

(22) Connected and related party transactions

	Notes	2003 HK\$	2002 HK\$
Investment management fee paid to Upbest Assets Management Limited	(a)	958,242	1,343,368
Brokerage commission paid to Upbest Securities Company Limited	(b)	34,988	94,751
Interest paid to Upbest Investment Company Limited	(c)	61,112	—
Custodian fee paid to Wing Hang Bank, Limited	(d)	60,000	60,000

Notes:

- (a) The Company has entered into an investment management agreement with Upbest Assets Management Limited, the investment manager, for a period of three years commencing from December 1, 2000. This agreement can be terminated by either the Company or the investment manager serving not less than three months' notice in writing prior to the expiration of the three years period. Pursuant to this agreement, monthly investment management fee is payable at 1.5% per annum of the consolidated net asset value as at the immediately preceding valuation date on the basis of the actual number of days in the relevant calendar month over a year of 365 days.
- (b) Brokerage commission rate is charged at 0.25%, the minimum brokerage during the year prescribe by the Stock Exchange, of the value of the transactions.
- (c) Interest for margin account was charged at 9.25% per annum. The Company maintained a margin account with Upbest Investment Company Limited to which the Company provided collateral for buying listed securities.
- (d) Pursuant to a custodian agreement dated December 22, 1999 between the Company and a custodian, the custodian agrees to provide securities custodian services to the Company including the safe custody of the Group's securities and the settlement of the securities of the Group, the collection of dividends and other entitlements on behalf of the Group. The appointment of the custodian commenced on the date of commencement of trading of the Company's shares on the Stock Exchange and will continue in force until it is terminated by either party giving a written notice to the other party at any time.

The custodian is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules, but the custodian fee falls below the de-minimis threshold under Rule 14.24(5) of the Listing Rules.

- (e) Upbest Assets Management Limited, Upbest Securities Company Limited and Upbest Investment Company Limited are wholly-owned subsidiaries of Upbest Group Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Stock Exchange. The ultimate beneficial shareholder of the Company and Fung Fai Growth Limited, a substantial shareholder of the Company, holds indirectly 75 per cent interest in Upbest Group Limited.