

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 1. GENERAL

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

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are set out in note 37.

## 2. GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda. Pursuant to a scheme of arrangement (the "Scheme") sanctioned by the Supreme Court of Bermuda which became effective on 26 August 2002, the Company issued its shares to the shareholders of Dransfield Holdings Limited ("Dransfield"), the then ultimate holding company of the Group, in exchange for the entire issued share capital of Dransfield. Dransfield then became a wholly owned subsidiary of the Company, which became the holding company of the companies now comprising the Group (the "Group Reorganisation").

Dealings in the Company's shares on the Stock Exchange commenced on 28 August 2002 whilst the listing status of Dransfield was withdrawn on 27 August 2002. Details of the Group Reorganisation were set out in a circular issued by Dransfield dated 28 June 2002.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared using the principles of merger accounting in accordance with Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants.

The comparative balance sheet of the Company at 31 March 2002 has not been presented as the Company did not have any assets or liabilities at that date.

## 3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of a statement of changes in equity. The adoption of the following new and revised standards has had no material effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

### Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting years.

### Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest received, which was previously presented under a separate heading, is classified as an operating activity and interest paid was classified as a financing activity. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The adoption of this revised SSAP has resulted in the change of format of presentation but has had no material effect on the results for the current or prior accounting years.

### Discontinuing operations

SSAP 33 "Discontinuing Operations" is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". Under SSAP 33, financial statement amounts relating to the discontinuing operations are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group's brewery production and distribution business as a discontinuing operation in the current year, details of which are disclosed in note 8.

### Employee benefits

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities and investment properties, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### Basis of consolidation

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

The consolidated financial statements incorporate the effects of the Group Reorganisation which has been accounted for by using merger accounting.

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

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

### Goodwill

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments in subsidiaries

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

### Interest in a jointly controlled entity

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

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

### Revenue recognition

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

Service income is recognised when services are rendered.

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

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

### Investment properties

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investment properties (Continued)

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

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

### Property, plant and equipment

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

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

Freehold land	Nil
Land and buildings held in the People's Republic of China ("PRC")	Over the terms of the land use rights
Leasehold improvements	Over the shorter of the term of the lease, land use rights or 5 years
Brewery plant and machinery	2 – 10%
Other plant and machinery	5 – 20%
Equipment	15 – 20%
Furniture, fixtures and office equipment	20 – 25%
Motor vehicles	25 – 33%

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

### Investments in securities

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

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

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

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

### Inventories

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

### Foreign currencies

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies (Continued)

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

### Taxation

The charge for taxation is based on the results for the year after 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.

### Leases

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

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

### Retirement benefit schemes

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 5. TURNOVER

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

	2003 HK\$'000	2002 HK\$'000
Continuing operations		
Sales of goods	29,128	27,608
Logistics and other services	6,972	5,103
Rental income	237	6,452
	<b>36,337</b>	39,163
Discontinuing operations		
Sales of brewery products	-	23,648
	<b>36,337</b>	62,811

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group is currently organised into five (2002: six) operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Electronic household appliances	- distribution of electronic household appliances
Edible oil	- production and distribution of edible oil
Food and beverage	- trading of food and beverage products
Logistics	- provision of logistics and related services
Property investment	- property investment in Hong Kong and the PRC

In prior years, the Group was also engaged in the production of brewery products. That operation was discontinued from 12 April 2002 upon the disposal of the Group's entire interest in Redruth Brewery (1742) Limited ("Redruth"), details of which are set out in note 8.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

Segment information about these businesses is presented below:

#### For the year ended 31 March 2003

	Continuing operations							Consolidated HK\$'000
	Electronic household appliances HK\$'000	Edible oil HK\$'000	Food and beverage HK\$'000	Logistics HK\$'000	Property investment HK\$'000	Others HK\$'000	Elimination HK\$'000	
<b>REVENUE</b>								
External sales	4,777	21,588	2,763	6,936	237	36	-	36,337
Inter-segment sales	119	-	79	1,518	-	1,418	(3,134)	-
<b>Total revenue</b>	<b>4,896</b>	<b>21,588</b>	<b>2,842</b>	<b>8,454</b>	<b>237</b>	<b>1,454</b>	<b>(3,134)</b>	<b>36,337</b>
<b>RESULT</b>								
Segment result	329	8,699	(5,885)	13,977	1,507	1,148	(2,209)	17,566
Unallocated corporate expenses								(7,384)
Profit from operations								10,182
Finance costs								(4,157)
Gain on disposal of discontinuing operation								8,877
Share of results of a jointly controlled entity								(2,509)
Profit before taxation								12,393
Taxation								-
Profit before minority interests								12,393

Inter-segment sales are charged at prevailing market rates.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

As at 31 March 2003

	Continuing operations						Consolidated HK\$'000
	Electronic household appliances HK\$'000	Edible oil HK\$'000	Food and beverage HK\$'000	Logistics HK\$'000	Property investment HK\$'000	Others HK\$'000	
<b>ASSETS</b>							
Segment assets	1,230	32,497	1,290	161,825	2,305	2,001	201,148
Investments in securities							6,753
Interest in a jointly controlled entity							1,146
Unallocated corporate assets							3,664
Consolidated total assets							<u>212,711</u>
<b>LIABILITIES</b>							
Segment liabilities	403	1,577	353	2,937	46	1,748	7,064
Taxation payable							1,071
Obligations under a finance lease							281
Bank borrowings							77,103
Unallocated corporate liabilities							14,146
Consolidated total liabilities							<u>99,665</u>
Other Information:							
Capital additions	-	1,925	327	74	-	825	3,151
Depreciation and amortisation	23	1,956	5,170	3,351	-	654	11,154
Reversal of impairment loss recognised	-	(9,730)	-	(17,078)	-	(32)	(26,840)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

For the year ended 31 March 2002

	Continuing operations						Discontinuing operation		Consolidated HK\$'000
	Electronic household appliances HK\$'000	Edible oil HK\$'000	Food and beverage HK\$'000	Logistics HK\$'000	Property investment HK\$'000	Others HK\$'000	Brewery production HK\$'000	Elimination HK\$'000	
<b>REVENUE</b>									
External sales	7,214	14,561	5,833	3,906	6,452	1,197	23,648	-	62,811
Inter-segment sales	-	-	-	869	-	-	848	(1,717)	-
<b>Total revenue</b>	<b>7,214</b>	<b>14,561</b>	<b>5,833</b>	<b>4,775</b>	<b>6,452</b>	<b>1,197</b>	<b>24,496</b>	<b>(1,717)</b>	<b>62,811</b>
<b>RESULT</b>									
Segment result	(21)	(4,503)	(1,118)	(11,560)	(17,133)	(27,839)	(28,753)	-	(90,927)
Unallocated corporate expenses									(13,139)
Loss from operations									(104,066)
Finance costs									(10,601)
Gain on disposal/dilution of interest in a subsidiary									839
Loss on disposal/dilution of interest in an associate									(10,143)
Share of results of a jointly controlled entity									(4,815)
Share of results of an associate									(464)
Loss before taxation									(129,250)
Taxation									(131)
Loss before minority interests									(129,381)

Inter-segment sales are charged at prevailing market rates.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

As at 31 March 2002

	Continuing operations						Discontinuing operation	Consolidated HK\$'000
	Electronic household appliances HK\$'000	Edible oil HK\$'000	Food and beverage HK\$'000	Logistics HK\$'000	Property investment HK\$'000	Others HK\$'000	Brewery production HK\$'000	
<b>ASSETS</b>								
Segment assets	934	37,540	3,555	116,710	2,900	9,385	14,984	186,008
Investments in securities								6,394
Interest in a jointly controlled entity								3,388
Unallocated corporate assets								1,109
Consolidated total assets								196,899
<b>LIABILITIES</b>								
Segment liabilities	116	13,723	2,832	6,694	1,727	7,820	12,417	45,329
Taxation payable								941
Bank borrowings								74,091
Unallocated corporate liabilities								20,001
Consolidated total liabilities								140,362
Other Information:								
Capital additions	-	6,260	46	6	-	-	11	6,323
Depreciation and amortisation	37	7,591	21	3,885	127	832	700	13,193
Impairment loss recognised	-	-	-	8,607	-	-	27,347	35,954

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Geographical segments

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

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

	Sales revenue by geographical market		Contribution to operating results	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	4,776	15,474	(12,631)	(45,612)
PRC	31,561	23,689	30,197	(16,562)
Europe (discontinuing operation)	–	23,648	–	(28,753)
	<b>36,337</b>	62,811	<b>17,566</b>	(90,927)
Unallocated corporate expenses			<b>(7,384)</b>	(13,139)
Profit (loss) from operations			<b>10,182</b>	(104,066)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	17,386	23,861	185	46
PRC	195,325	158,054	2,966	6,266
Europe	–	14,984	–	11
	<b>212,711</b>	196,899	<b>3,151</b>	6,323

## 7. PROFIT (LOSS) FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Staff costs	7,423	8,030
Staff retirement scheme contributions	259	327
Total staff costs, including directors' emoluments	<b>7,682</b>	8,357
Auditors' remuneration:		
Current year	750	800
Underprovision in previous year	–	143
Depreciation and amortisation	<b>11,154</b>	13,193

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 March 2003*

## **8. DISCONTINUING OPERATION**

During the year, the Group disposed of its entire interest in a subsidiary, Redruth for a cash consideration of HK\$1 (the "Disposal"). Redruth was principally engaged in the production and distribution of brewery products in the United Kingdom with its major customers located in Europe. The Disposal was effected for the purpose of debt reduction of the Group. Further details of the Disposal were also set out in a circular issued by Dransfield dated 31 May 2002.

The Disposal was completed on 12 April 2002, when control of Redruth passed to the acquirer. No operating results were available for the brewery production and distribution business for the period from 1 April 2002 to 12 April 2002, and, during the year, the brewery production and distribution business did not contribute any cash flows in respect of the Group's operating, investing and financing activities. In 2002, this contributed net cash outflow of HK\$323,000 to the Group's operations, paid HK\$5,171,000 in respect of investing activities and received HK\$1,420,000 in respect of financing activities.

The carrying amounts of the assets and liabilities of the brewery production and distribution business at the date of disposal, and 31 March 2002 and the gain arising from the disposal are disclosed in note 28.

The operating results of the brewery production and distribution business are disclosed in note 6.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive directors	–	25
Non-executive directors	33	–
Independent non-executive directors	48	32
	<b>81</b>	57
Other emoluments:		
Executive directors		
– Salaries and other benefits	1,009	1,033
– Bonus	94	–
– Retirement benefit scheme contributions	12	29
	<b>1,115</b>	1,062
Non-executive directors		
– Salaries and other benefits	–	721
	<b>1,196</b>	1,840

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

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

Employees' emoluments

During the year, the five highest paid individuals in the Group included one director (2002: five directors) of the Company, details of whose emoluments are set out above. The emoluments of the remaining four individuals were as follows:

	HK\$'000
Salaries and other benefits	2,523
Bonus	92
Retirement benefit scheme contributions	42
	<hr/>
	2,657

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

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

## 10. TAXATION

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
The charge comprises:		
Underprovision of Hong Kong Profits Tax in prior years	-	431
Deferred taxation (note 27)	-	(300)
	<hr/>	<hr/>
	-	131

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

Details of deferred taxation are set out in note 27.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 11. EARNINGS (LOSS) PER SHARE

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

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Earnings (loss) for the purpose of calculating basic and diluted earnings per share:		
Net profit (loss) for the year	<b>13,453</b>	(129,292)
Weighted average number of shares for the purpose of calculating basic earnings (loss) per share (in thousands)	<b>3,460,237</b>	1,854,050
Effect of dilutive potential shares (in thousands):		
Warrants	<b>477,141</b>	
Weighted average number of shares for the purpose of calculating diluted earnings (loss) per share (in thousands)	<b>3,937,378</b>	

The weighted average number of shares for the purpose of basic earnings (loss) per share was based on the assumption that the Group Reorganisation had been completed at 1 April 2001.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 12. INVESTMENT PROPERTIES

	THE GROUP		
	Properties situated in		
	Hong Kong	PRC	Total
	HK\$'000	HK\$'000	HK\$'000
VALUATION			
At 1 April 2002	700	2,200	2,900
Transfer from property, plant and equipment	–	322	322
Revaluation increase	–	105	105
At 31 March 2003	700	2,627	3,327

Investment properties situated in the PRC are held under long leases and were valued at their open market values at 31 March 2003 by Shenzhen International Real Estate Consultant Co., Ltd., an independent firm of qualified professional valuers. This valuation gave rise to a revaluation increase of HK\$105,000 which has been credited to the income statement to reverse a deficit recognised in prior years.

The investment property situated in Hong Kong and held under a medium-term lease, with a carrying value of HK\$700,000, was under the possession of a bank during the year and had not been disposed of at the balance sheet date. In the opinion of the directors, the investment property was carried at the net realisable value, which approximated its open market value at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Leasehold land and buildings in the PRC HK\$'000	Leasehold improvements HK\$'000	Brewery plant and machinery HK\$'000	Other plant and machinery HK\$'000	Equipment HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>									
COST									
At 1 April 2002	4,236	146,554	4,442	44,438	23,039	9,393	30,496	2,566	265,164
Exchange realignment	-	(1,885)	(3)	-	(214)	-	(284)	(8)	(2,394)
Additions	-	-	627	-	833	208	166	1,317	3,151
Disposal of subsidiaries	-	-	(281)	(44,438)	-	-	(810)	(596)	(46,125)
Transfer to investment properties	-	(1,048)	-	-	-	-	-	-	(1,048)
Reclassifications	-	(1,863)	-	-	433	-	30	1,400	-
Disposals	(4,236)	-	-	-	(298)	-	(563)	(811)	(5,908)
<b>At 31 March 2003</b>	<b>-</b>	<b>141,758</b>	<b>4,785</b>	<b>-</b>	<b>23,793</b>	<b>9,601</b>	<b>29,035</b>	<b>3,868</b>	<b>212,840</b>
DEPRECIATION AND AMORTISATION AND IMPAIRMENT									
At 1 April 2002	2,236	39,711	3,968	34,279	19,181	4,260	15,706	2,280	121,621
Exchange realignment	-	(216)	(1)	-	(151)	-	(59)	(4)	(431)
Disposal of subsidiaries	-	-	(281)	(34,279)	-	-	(810)	(596)	(35,966)
Provided for the year	-	2,519	461	-	1,431	5,138	1,178	427	11,154
Impairment loss (reversed) recognised in the income statement	-	(16,954)	-	-	(10,243)	-	137	220	(26,840)
Transfer to investment properties	-	(726)	-	-	-	-	-	-	(726)
Reclassifications	-	56	-	-	(694)	-	(3)	641	-
Eliminated on disposals	(2,236)	-	-	-	(7)	-	(130)	(241)	(2,614)
<b>At 31 March 2003</b>	<b>-</b>	<b>24,390</b>	<b>4,147</b>	<b>-</b>	<b>9,517</b>	<b>9,398</b>	<b>16,019</b>	<b>2,727</b>	<b>66,198</b>
NET BOOK VALUES									
<b>At 31 March 2003</b>	<b>-</b>	<b>117,368</b>	<b>638</b>	<b>-</b>	<b>14,276</b>	<b>203</b>	<b>13,016</b>	<b>1,141</b>	<b>146,642</b>
At 31 March 2002	2,000	106,843	474	10,159	3,858	5,133	14,790	286	143,543

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

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

	Leasehold improvements	Furniture, fixtures and office equipment	Total
	HK\$'000	HK\$'000	HK\$'000
<b>THE COMPANY</b>			
COST			
Acquisition during the period and balance at 31 March 2003	454	128	582
DEPRECIATION			
Provided for the period and balance at 31 March 2003	158	18	176
<b>NET BOOK VALUE</b>			
At 31 March 2003	296	110	406

The net book value of land and buildings held by the Group at the balance sheet date comprises:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Long lease land use rights held in the PRC	–	210
Medium-term land use rights held in the PRC	<b>117,368</b>	106,633
Freehold land held in the United Kingdom	–	2,000
	<b>117,368</b>	108,843

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

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

The directors of the Company reviewed the carrying value of the property, plant and equipment of the Group at the balance sheet date and identified that:

- (a) the recoverable amounts of the leasehold land and buildings situated in the PRC were higher than their carrying amounts by reference to open market values or projected discount cash flows with a discount rate of 8% per annum of the properties at 31 March 2003 in view of the improving performance and the change in management of the Group.
- (b) the recoverable amounts of other plant and machinery were higher than their carrying amounts by reference to depreciated replacement costs of the plant and machinery at 31 March 2003 in view of the improving performance and the change in management of the Group.
- (c) A reversal of impairment loss of HK\$26,840,000 recognised in prior years was made in the income statement.

The net book value of property, plant and equipment of the Group includes an amount of HK\$329,000 (2002: nil) in respect of assets held under a finance lease.

## 14. INTERESTS IN SUBSIDIARIES

	THE COMPANY
	HK\$'000
Unlisted shares, at cost	63,988
Amounts due from subsidiaries	69,575
	133,563
Impairment loss recognised	(53,597)
	79,966

The carrying value of the unlisted shares is based on the directors' estimate of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under the Group Reorganisation and represents the cost of investment in unlisted shares.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 14. INTERESTS IN SUBSIDIARIES (Continued)

The directors have reviewed the carrying amounts of assets of the subsidiaries. In light of the current market conditions and the existing operating plan, the directors have identified certain amounts due from subsidiaries, with an aggregate carrying amount of HK\$53,597,000, which are considered to have a negligible recoverable amount as at the balance sheet date. Accordingly, the whole amount has been recognised in the income statement as an impairment loss for the current period.

Details of the Company's principal subsidiaries at 31 March 2003 are set out in note 37.

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

## 15. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets of a jointly controlled entity	1,146	3,644
Unrealised profit on disposal of property, plant and equipment to a jointly controlled entity	–	(256)
	<b>1,146</b>	<b>3,388</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 15. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

Details of the Group's jointly controlled entity at 31 March 2003 are as follows:

Name of jointly controlled entity	Form of business structure	Place of establishment	Proportion of nominal value of registered capital held by the Company indirectly	Principal activity
Wuxi Dransfield Broadsino Beverage Co., Ltd. ("WDBB")	Corporate	PRC	57%	Manufacture of beverage products

The Group is entitled to share 57% profit in WDBB and has 60% voting rights in the WDBB's general meeting. According to a shareholder agreement entered into between the Group and other shareholders, all significant decisions in financial and operating policies are required to be determined and agreed collectively by all shareholders, and WDBB is, therefore, subject to joint control by all the shareholders, and is accounted for as a jointly controlled entity.

The amount due to the jointly controlled entity is unsecured, non-interest bearing and repayable on demand.

## 16. LOAN TO (FROM) A MINORITY SHAREHOLDER OF A SUBSIDIARY

### THE GROUP

During the year, the Group entered into an agreement with the minority shareholder of a subsidiary for the settlement of a loan to the minority shareholder. Pursuant to the agreement, the minority shareholder assigned to the Group its title and interest in the loan to a subsidiary of the Group together with its beneficial interest in the share capital of the subsidiary as full and final settlement of the loan to the minority shareholder (the "Settlement Arrangement").

At 31 March 2002, the loan to a minority shareholder of a subsidiary was unsecured, bore compound interest at a rate of 6% per annum and had no fixed terms of repayment. Pursuant to an agreement signed by the Group and the minority shareholder of a subsidiary in prior years, the minority shareholder re-invested the loan to a subsidiary of the Group, in which the minority shareholder has a 20% equity interest, in the form of an interest free loan. The minority shareholder had undertaken to apply any amount, including dividends, which may be distributed by the subsidiary to the minority shareholder to repay, in full, the loan advanced by the Group.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 16. LOAN TO (FROM) A MINORITY SHAREHOLDER OF A SUBSIDIARY (Continued)

The corresponding loan advanced from the minority shareholder to the subsidiary was classified as a loan from a minority shareholder, the loan was unsecured and non-interest bearing. The loan was set off against the loan to the minority shareholder during the year, pursuant to the Settlement Arrangement.

At 31 March 2003, the Group was entitled to interest income receivable of HK\$2,513,000 (2002: HK\$2,322,000) derived from the loan to the minority shareholder, which has not been received and its recovery being doubtful, accordingly, the revenue has not been recognised in the consolidated income statement.

## 17. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	–	3,725
Work in progress	–	180
Finished goods	<b>2,576</b>	3,379
	<b>2,576</b>	7,284

Included above are inventories of HK\$162,000 (2002: HK\$2,018,000) which are carried at net realisable value.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 18. TRADE AND OTHER RECEIVABLES

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Less than 3 months	3,561	6,346
3 to 6 months	2,836	30
6 to 12 months	–	35
	<b>6,397</b>	6,411
Other receivables	<b>9,431</b>	5,110
	<b>15,828</b>	11,521

## 19. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
<b>Other investments</b>		
Equity securities listed overseas	<b>6,753</b>	6,394
	<b>6,753</b>	8,597

During the year ended 31 March 2002, the Group entered into a conditional agreement to dispose of its entire investments in securities to a third party. In the opinion of directors, the carrying value of the investments in securities as at 31 March 2002 approximated its fair value at that date. However the disposal agreement was cancelled during the current year and the investments in securities are stated at market value at 31 March 2003.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 20. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Less than 3 months	668	4,667
3 to 6 months	904	696
6 to 12 months	355	1,331
Over 1 year	509	2,908
	<b>2,436</b>	9,602
Other payables	<b>13,887</b>	37,047
	<b>16,323</b>	46,649

## 21. AMOUNTS DUE TO RELATED COMPANIES, DIRECTORS, MINORITY SHAREHOLDERS OF A SUBSIDIARY, ULTIMATE HOLDING COMPANY

The amounts are unsecured, interest-free and are repayable on demand, except for the amount due to the ultimate holding company, which has agreed not to demand payment within one year from the balance sheet date and this is therefore shown as non-current.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 22. OBLIGATIONS UNDER A FINANCE LEASE

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The maturity of obligations under a finance lease is as follows:				
Within one year	91	–	78	–
In the second to fifth year inclusive	235	–	203	–
	326	–	281	–
Less: Future finance charges	(45)	–	N/A	N/A
Present value of lease obligations	281	–	281	–
Less: Amount due within one year shown under current liabilities			(78)	–
			203	–

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 23. BANK BORROWINGS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Secured	70,015	51,651
Unsecured	7,088	22,440
	<b>77,103</b>	74,091
The maturity of the bank borrowings is as follows:		
On demand or within one year	27,484	54,775
More than one year, but not exceeding two years	49,619	8,400
More than two year, but not exceeding five years	–	10,916
	<b>77,103</b>	74,091
Less: Amount due within one year shown under current liabilities *	<b>(27,484)</b>	(74,091)
	<b>49,619</b>	–

\* At 31 March 2002, included in the amount was HK\$19,316,000 which was originally due for repayment after more than one year. As events of default had arisen under the loan agreement, the loan had become repayable on demand and the relevant loan was fully repaid during the current year.

The secured bank loans were secured by certain leasehold land and buildings, investment properties and plant and machinery of the Group (note 32).

At 31 March 2002, unsecured bank loans of HK\$7,200,000 were guaranteed by minority shareholders of a subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 24. SHARE CAPITAL

	Notes	No. of shares	Amount HK\$'000
Shares of HK\$0.01 each			
Authorised:			
On date of incorporation	(a)	10,000,000	100
Increase in authorised share capital	(b)	7,990,000,000	79,900
At 31 March 2003		8,000,000,000	80,000
Issued and fully paid:			
Initial share capital on date of incorporation	(a)	10,000,000	100
Issue of shares pursuant to the Group			
Reorganisation	(c)(i)	1,854,050,000	18,540
Issue of shares pursuant to the Subscription	(c)(ii)	2,672,515,000	26,725
At 31 March 2003		4,536,565,000	45,365

The comparative amount shown in the consolidated balance sheet represents the issued share capital of Dransfield, the former ultimate holding company of the Group, divided into 1,830,650,000 shares of HK\$0.10 each.

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

- (a) The Company was incorporated on 5 March 2002 with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each, all of which were allotted and issued at par on 5 March 2002.
- (b) Pursuant to a written resolution of the sole shareholder of the Company passed on 21 June 2002, the authorised share capital of the Company was increased by HK\$79,900,000 by the creation of an additional 7,990,000,000 shares of HK\$0.01 each.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 24. SHARE CAPITAL (Continued)

- (c) Pursuant to written resolutions of the sole shareholder of the Company passed on 21 June 2002 and the Scheme sanctioned by the Supreme Court of Bermuda which became effective on 26 August 2002:
- (i) the Company allotted and issued 1,854,050,000 new shares of HK\$0.01 each credited as fully paid in consideration for the acquisition of the entire issued share capital of Dransfield in accordance with the Group Reorganisation; and
  - (ii) pursuant to a subscription agreement dated 8 January 2002, the Company issued 2,500,000,000 and 172,515,000 new shares of HK\$0.01 each in the Company at HK\$0.02 per share to DiChain Holdings and Farsight Holdings Limited, respectively (the "Subscription"). The proceeds from the shares issued were used to discharge part of the Group's outstanding indebtedness and used as general working capital of the Group.

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

## 25. WARRANTS

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 26. RESERVES

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

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiary acquired pursuant to the Group Reorganisation as set out in note 2, over the nominal value of the Company's shares issued in exchange thereof. Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

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

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

### THE GROUP

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 27. DEFERRED TAXATION

The movements of deferred taxation of the Group during the year are as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
At beginning of the year	–	300
Credit for the year (note 10)	–	(300)
At end of the year	–	–

At the balance sheet date, the major components of unprovided deferred taxation (assets) liabilities were as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000	<b>2003</b> <b>HK\$'000</b>
<b>THE GROUP</b>			
Tax effect of timing differences attributable to:			
Shortfall of tax allowances over depreciation charged in the financial statements	<b>(612)</b>	(396)	<b>(35)</b>
Tax losses	<b>(19,509)</b>	(9,361)	<b>(9,448)</b>
	<b>(20,121)</b>	(9,757)	<b>(9,483)</b>

Deferred taxation asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 27. DEFERRED TAXATION (Continued)

The major component of unprovided deferred taxation (credit) charge not recognised for the year are as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
<b>THE GROUP</b>		
Tax effect of timing differences attributable to:		
Shortfall of tax allowances over depreciation charged in the financial statements	(216)	(383)
Tax losses arising	(10,148)	(72)
General provision	-	(20)
Disposal of a subsidiary	-	880
	<b>(10,364)</b>	405

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 28. DISPOSAL OF A SUBSIDIARY

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Net assets disposed of:		
Property, plant and equipment	<b>10,159</b>	157
Inventories	<b>2,947</b>	–
Trade and other receivables	<b>1,889</b>	5,485
Bank balances and cash	<b>304</b>	16,222
Trade and other payables	<b>(12,416)</b>	(7,689)
Taxation payable	–	(6,905)
Minority interests	–	(6,879)
	<b>2,883</b>	391
Goodwill reserve realised	<b>(11,268)</b>	–
Translation reserve realised	<b>(492)</b>	–
	<b>(8,877)</b>	391
Gain on disposal of a discontinuing operation/subsidiary	<b>8,877</b>	839
Total consideration satisfied by cash	–	1,230
Analysis of net outflow in respect of the disposal of a subsidiary:		
Cash consideration received	–	1,230
Bank balances and cash disposed of	<b>304</b>	(16,222)
	<b>304</b>	14,992

As explained in note 8, the Group discontinued its brewery production and distribution business at the time of disposal of Redruth. The net assets of the subsidiary disposed of during the current year represents the net assets of Redruth at the date of disposal.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 29. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2003, the Group entered into a finance lease arrangement in respect of a motor vehicle with a total capital value at the inception of the lease of HK\$314,000.

Proceeds on settlement of a loan to a minority shareholder of a subsidiary amounting to HK\$7,630,000 were set off against a loan from a minority shareholder of a subsidiary and the consideration for the acquisition of the remaining 20% of the issued share capital of a subsidiary, Dransfield Broadsino Food and Beverage Limited by the Group from the minority shareholder. No goodwill arose as a result of the acquisition of this additional interest.

During the year ended 31 March 2002, the proceeds receivable from the investor on placing of shares of a subsidiary amounting to HK\$480,000 was set off against amount due to that investor.

## 30. OPERATING LEASE ARRANGEMENTS

### The Group as lessee

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Minimum lease payments paid under operating leases in respect of premises during the year	1,003	511

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

	2003 HK\$'000	2002 HK\$'000
Within one year	1,077	4
In the second to fifth year inclusive	222	–
	1,299	4

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 30. OPERATING LEASE ARRANGEMENTS (Continued)

### The Group as lessor

Rental income earned during the year, net of negligible (2002: HK\$538,000) outgoings, was approximately HK\$237,000 (2002: HK\$5,914,000). There were no committed tenants at the balance sheet dates.

The Group and the Company had no outstanding commitments under non-cancellable operating leases at the balance sheet date.

## 31. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000
Capital expenditure contracted but not provided for in the financial statements in respect of			
– acquisition of property, plant and equipment	24	–	–
– investment projects	1,229	–	1,229
	<b>1,253</b>	–	<b>1,229</b>

## 32. PLEDGE OF ASSETS

At 31 March 2003, certain of the Group's investment properties, leasehold land and buildings, and plant and equipment with an aggregate carrying value of HK\$700,000 (2002: HK\$700,000), HK\$113,041,000 (2002: HK\$100,000,000), HK\$16,906,000 (2002: HK\$29,309,000), respectively, were pledged to banks to secure loan facilities granted to the Group.

At 31 March 2002, the Group's interests in two wholly-owned subsidiaries, Good Value Holdings Limited and Well Assessed Limited, were also pledged to a bank to secure loan facilities granted to the Group.

## 33. CONTINGENT LIABILITIES

At 31 March 2003, the Company had given guarantees of approximately HK\$56,700,000 (2002: HK\$125,329,000) to a bank in respect of banking facilities granted to a subsidiary. The extent of such facilities utilised by the subsidiary at 31 March 2003 amounted to approximately HK\$56,130,000 (2002: HK\$57,291,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 34. SHARE OPTIONS SCHEMES

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

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

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

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

There were no options granted under the CM DiChain Scheme during the year or outstanding at 31 March 2003.

### (b) Share option scheme of Dransfield

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 34. SHARE OPTIONS SCHEMES (Continued)

### (b) Share option scheme of Dransfield (Continued)

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

#### For the year ended 31 March 2003

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

#### For the year ended 31 March 2002

Name of director	Exercise price	Exercisable period	Number of share options of Dransfield			
			Outstanding at 1.4.2002	Exercised during year	Lapsed during year	Outstanding at 31.3.2003
Robert Fung Hing Piu	0.18	6.3.2002 to 2.4.2003	2,000,000	–	–	2,000,000
Employees	0.10	21.6.2000 to 2.4.2003	2,050,000	–	(2,000,000)	50,000
	0.10	1.12.2001 to 2.4.2003	33,500,000	(5,500,000)	(19,000,000)	9,000,000
	0.18	6.3.2002 to 2.4.2003	12,350,000	–	–	12,350,000
	0.20	6.3.2001 to 5.3.2002	2,400,000	–	(2,400,000)	–
	0.30	25.8.1999 to 24.8.2001	975,000	–	(975,000)	–
			51,275,000	(5,500,000)	(24,375,000)	21,400,000
Total			53,275,000	(5,500,000)	(24,375,000)	23,400,000

The weighted average closing price of Dransfield's shares immediately before the dates on which the options were exercised was HK\$0.28 (2002: HK\$0.14).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 35. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which is matched by employees.

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

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

## 36. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

Name of related party	Interested person(s) (Note)	Nature of transaction	2003 HK\$'000	2002 HK\$'000
KPFF Holdings Limited	Cyril Fung Hing Chiu	Servicing income	–	11
Group companies under an investee	Horace Yao Yee Cheong and Thomas John Kenan	Logistics income	–	362

Other than the above, at 31 March 2002, the Group also had a loan from a minority shareholder of HK\$7,630,000, details of which are disclosed in note 16. The loan invested by the minority shareholder to the related subsidiary was made in the proportion of its interest in the subsidiary.

These transactions were carried out at terms determined and agreed by the relevant parties.

Note: They were former directors of Dransfield.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment/ operation	Proportion of nominal value of issued share capital/ registered capital held by the Company		Issued and fully paid share capital/ registered capital	Principal activities
		Directly	Indirectly		
Dransfield Electrical Appliances Limited	Hong Kong	–	100%	HK\$10,000	Trading of electronic household appliances
Dransfield Electronics Limited	Hong Kong	–	100%	HK\$1,800,000	Distribution of electronic household appliances
Dransfield Finance Limited	Hong Kong	–	100%	HK\$2	Provision of financial services to group companies
Dransfield Food and Beverage Limited	Hong Kong	–	95%	HK\$10,000	Trading of food and beverage products
Dransfield Holdings Limited	Bermuda	100%	–	HK\$100,000	Investment holdings
Dransfield Secretarial & Administrative Services Limited	Hong Kong	–	100%	HK\$10,000	Provision of secretarial and management services
Dransfield Services Limited	British Virgin Islands/PRC	–	100%	US\$1	Provision of logistics services

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Proportion of nominal value of issued share capital/ registered capital held by the Company		Issued and fully paid share capital/ registered capital	Principal activities
		Directly	Indirectly		
Shenyang Dransfield Industrial Development Ltd.	PRC (note i)	–	60%	RMB60,000,000	Production and distribution of edible oil
Victorison Logistics Service (Shenzhen) Co., Ltd.	PRC (note ii)	–	100%	HK\$35,000,000	Provision of logistics services and property and investment holding

Notes:

- i. Sino-foreign equity joint venture
- ii. Wholly foreign-owned enterprise

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

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