

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company and provides corporate management services.

The activities of the Company's principal subsidiaries are set out in note 40.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. The SSAPs that have an impact on the financial statements are:

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

Presentation of financial statements

In accordance with SSAP 1 (Revised), there was an inclusion of the statement of changes in equity in the financial statements. This change has had no effect on the results for the current or prior accounting periods.

Foreign currency translation

The revisions to SSAP 11 have eliminated the choice of translating the income statements of overseas operations at the closing rate, the policy previously followed by the Group. They are now required to be translated at an average rate for the year. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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 paid, interest received and dividends paid, which were previously presented under a separate heading, are classified as operating cash flows. Cash flows arising from taxes on income are classified as operating, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

Employee benefits

In the current period, the Group adopted SSAP 34 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the valuation of investment properties and certain investments in securities, 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 31st March each year.

The results of subsidiaries and associates acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates 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 an associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1st 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 associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions since 1st April, 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in subsidiaries

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

Interests in associates

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

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 based on independent professional valuation at the balance sheet date. Any revaluation surplus or deficit 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 deficit on a portfolio basis, in which case the excess of the revaluation deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On 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 and amortisation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is 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 values, using the straight line method, at the following rates per annum:

Computer equipment	33 $\frac{1}{3}$ %
Motor vehicles	30%
Fixtures	15% or over the terms of the relevant lease, whichever is shorter.
Others	15%

The gain or loss arising on the 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.

Properties held for resale

Properties held for resale are stated at the lower of cost and net realisable value. Cost consists of all expenditure directly attributable to the acquisition and development of the properties plus other direct costs attributable to such properties.

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 period.

Intangible asset

Intangible asset is measured initially at purchase cost and amortised on a straight line basis over their estimated useful lives.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

For properties which are held for resale, revenue is recognised on the execution of a binding sales agreement.

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

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

Impairment

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Operating leases

Rentals payables under operating leases are charged to the income statement on a straight line basis over the terms of the relevant lease.

Retirement benefits schemes

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the year to the Group's defined contribution scheme and Mandatory Provident Fund ("MPF") Scheme.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions or at the contracted settlement rate, if appropriate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars 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.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. All exchange differences arising on translation are dealt with in reserves.

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 the resulting 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

4. TURNOVER

Turnover represents the net amounts received and receivable from sales of securities, sales of properties, interest income from provision of finance and notes receivable and property rentals during the year, and is analysed as follows:

	2003 HK\$'000	2002 HK\$'000
Continuing operations		
Sales of securities	2,959	66,259
Sale of properties	30,000	9,600
Interest income from provision of finance and notes receivable	15,607	11,650
Property rentals	2,919	2,119
Dividend income from investments in securities	8	-
	51,493	89,628
Discontinuing operations		
Sales of Western and Chinese pharmaceutical and health products and foodstuffs (<i>note 11</i>)	-	151,055
	51,493	240,683

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

During the year, the Group was organised into four main operating segments: provision of finance, trading of securities, property holding and investment and investment activities.

As explained in note 11, the Group ceased its manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs operations during the year ended 31st March, 2002.

These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Business segments

	For the year ended 31st March, 2003				
	Provision of finance <i>HK\$'000</i>	Trading of securities <i>HK\$'000</i>	Property holding and investment <i>HK\$'000</i>	Investment activities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE	<u>15,528</u>	<u>2,959</u>	<u>32,919</u>	<u>87</u>	<u>51,493</u>
SEGMENT RESULTS	<u>14,415</u>	<u>(177)</u>	<u>1,704</u>	<u>(47,753)</u>	<u>(31,811)</u>
Unallocated corporate expenses					<u>(11,275)</u>
Loss from operations					<u>(43,086)</u>
Finance costs					<u>(598)</u>
Loss before taxation					<u>(43,684)</u>
Taxation					<u>-</u>
Loss before minority interests					<u>(43,684)</u>
Minority interests					<u>-</u>
Net loss for the year					<u>(43,684)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (Continued)

Business segments (Continued)

	At 31st March, 2003				
	Provision of finance <i>HK\$'000</i>	Trading of securities <i>HK\$'000</i>	Property holding and investment <i>HK\$'000</i>	Investment activities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	263,107	2,520	38,968	197,024	501,619
Unallocated corporate assets					1,819
Consolidated total assets					503,438
LIABILITIES					
Segment liabilities	45	1,106	1,870	590	3,611
Unallocated corporate liabilities					1,659
					5,270

	For the year ended 31st March, 2003				
	Provision of finance <i>HK\$'000</i>	Trading of securities <i>HK\$'000</i>	Property holding and investment <i>HK\$'000</i>	Investment activities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
OTHER INFORMATION					
Capital additions	-	-	-	34,103	34,103
Depreciation and amortisation	-	-	208	606	814
Deficit arising on valuation of investment properties	-	-	200	-	200
Impairment loss recognised in respect of investment securities	-	-	-	45,000	45,000
	-	-	-	45,000	45,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (Continued)

Business segments (Continued)

	For the year ended 31st March, 2002					Consolidated HK\$'000
	Continuing operations				Discontinuing operations	
	Provision of finance HK\$'000	Trading of securities HK\$'000	Property holding and investment HK\$'000	Investment activities HK\$'000	Manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs HK\$'000	
SEGMENT REVENUE	<u>6,533</u>	<u>66,259</u>	<u>11,719</u>	<u>5,117</u>	<u>151,055</u>	<u>240,683</u>
SEGMENT RESULTS	<u>5,869</u>	<u>(9,504)</u>	<u>(11,105)</u>	<u>(34,272)</u>	<u>(12,418)</u>	<u>(61,430)</u>
Unallocated corporate expenses						<u>(10,756)</u>
Loss from operations						(72,186)
Finance costs						(2,122)
Gain on disposal of discontinuing operations						24,525
Loss on assignment of loan to a subsidiary						<u>(4,711)</u>
Loss before taxation						(54,494)
Taxation						<u>(190)</u>
Loss before minority interests						(54,684)
Minority interests						<u>(7,009)</u>
Net loss for the year						<u><u>(47,675)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (Continued)

Business segments (Continued)

	At 31st March, 2002					Consolidated HK\$'000
	Continuing operations				Discontinuing operations	
	Provision of finance HK\$'000	Trading of securities HK\$'000	Property holding and investment HK\$'000	Investment activities HK\$'000	Manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs HK\$'000	
ASSETS						
Segment assets	212,644	2,125	64,125	135,624	87,909	502,427
Unallocated corporate assets						4,014
Consolidated total assets						<u>506,441</u>
LIABILITIES						
Segment liabilities	68	5	1,623	22	-	1,718
Unallocated corporate liabilities						607
						<u>2,325</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (Continued)

Business segments (Continued)

	For the year ended 31st March, 2002					
	Continuing operations				Discontinuing operations	Consolidated
	Provision of finance HK\$'000	Trading of securities HK\$'000	Property holding and investment HK\$'000	Investment activities HK\$'000	Manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs HK\$'000	
OTHER INFORMATION						
Capital additions	-	-	735	129	26,843	27,707
Depreciation and amortisation	-	-	91	629	3,999	4,719
Write down to net realisable value in respect of properties held for resale	-	-	10,000	-	-	10,000
Impairment loss recognised in respect of investment securities	-	-	-	37,000	-	37,000
Deficit arising on valuation of investment properties	-	-	1,680	-	-	1,680

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (Continued)

Geographical segments

The Group's operations are mainly located in Hong Kong and the People's Republic of China, other than Hong Kong (the "PRC").

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

	Sales revenue by geographical market		Loss from operations	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	18,474	202,555	(43,809)	(57,996)
The PRC	33,019	21,995	723	(12,756)
Asia Pacific (excluding Hong Kong and the PRC)	-	5,538	-	(1,334)
Others	-	10,595	-	(100)
	<u>51,493</u>	<u>240,683</u>	<u>(43,086)</u>	<u>(72,186)</u>

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

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible asset	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	284,959	442,908	141	20,119
The PRC	218,479	63,533	33,962	7,251
Asia Pacific (excluding Hong Kong and the PRC)	-	-	-	321
Others	-	-	-	16
	<u>503,438</u>	<u>506,441</u>	<u>34,103</u>	<u>27,707</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

6. OTHER OPERATING EXPENSES

	2003 HK\$'000	2002 HK\$'000
Included in other operating expenses are:		
Impairment loss recognised in respect of investment securities	(45,000)	(37,000)
Deficit arising on valuation of investment properties	(200)	(1,680)
Allowances for amounts due from associates	(17)	(1,780)
Write down to net realisable value in respect of properties held for resale	-	(10,000)
Cost for closure of retail outlets	-	(6,184)
Write back of provision for litigation	-	4,325
	<u> </u>	<u> </u>

7. INVESTMENT INCOME

	2003 HK\$'000	2002 HK\$'000
Interest income from:		
Banks	344	645
Others	2,497	8
	<u> </u>	<u> </u>
	<u>2,841</u>	<u>653</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

8. LOSS FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs, including directors' emoluments (<i>note 9(a)</i>):		
Salaries and allowances	7,666	42,453
Retirement benefits scheme and MPF contributions, no forfeited contributions (2002: net of forfeited contributions HK\$377,000)	254	1,877
	7,920	44,330
Auditors' remuneration:		
Current year	903	868
Underprovision in a prior year	435	277
	1,338	1,145
Depreciation and amortisation:		
Assets owned by the Group	814	4,691
Assets held under finance leases	-	28
Loss on disposal of property, plant and equipment	-	160
Unrealised loss on other investments	231	-
and after crediting:		
Property rental income, net of outgoings of HK\$313,000 (2002: HK\$741,000)	2,606	1,378

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

9. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the directors and the five highest paid individuals are as follows:

(a) Directors' emoluments

	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive directors	-	-
Independent non-executive directors	240	240
	240	240
Other emoluments:		
Executive directors		
Salaries and other benefits	4,450	5,070
Retirement benefits scheme and MPF contributions	166	189
Independent non-executive directors	-	-
	4,616	5,259
	4,856	5,499

The emoluments of the directors are within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	6	5
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	1	1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

9. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Emoluments of the five highest paid individuals

The emoluments of the five highest paid individuals of the Group for the year included four (2002: four) directors of the Company, whose emoluments are included in (a) above. The aggregate emoluments of the remaining individual (2002: one) are as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	645	798
Retirement benefits scheme and MPF contributions	20	23
	665	821

Save as disclosed above, during the years ended 31st March, 2003 and 2002, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

In addition, during the years ended 31st March, 2003 and 2002, no directors waived any emoluments.

10. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest payable on:		
Bank and other borrowings wholly repayable within five years	598	2,107
Obligations under finance leases	-	15
	598	2,122

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

11. DISCONTINUING OPERATIONS

During the year ended 31st March, 2002, the Company disposed of the remaining 51% equity interest in Tung Fong Hung Investment Limited ("TFHI") at a consideration of HK\$45,900,000. TFHI was a former intermediate holding company of the Company's subsidiaries which are principally engaged in the business of manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs. The transaction was completed on 2nd November, 2001.

The gain on disposal of TFHI amounted to HK\$24,525,000, representing the difference between the proceeds of the sale and the carrying amount of the net assets of TFHI together with the attributable translation reserve and negative goodwill which had previously been eliminated against reserves and had not previously been charged or credited to the income statement.

The carrying amounts of the assets and liabilities at the date of disposal of TFHI are set out in note 33.

The consolidated results of TFHI and its subsidiaries for the period up to 2nd November, 2001, the date of discontinuance, which had been included in the consolidated income statement of the Group, were as follows:

	2003 HK\$'000	2002 HK\$'000
Turnover	-	151,055
Loss from operations	-	(12,418)

12. TAXATION

The income tax charge comprises:

	2003 HK\$'000	2002 HK\$'000
Overseas taxation of the Company and its subsidiaries	-	210
Deferred taxation (<i>note 28</i>)	-	(20)
	-	190

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

12. TAXATION (Continued)

No provision for Hong Kong Profits Tax has been made as neither the Company nor its subsidiaries had any assessable profit for the year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Details of deferred taxation are set out in note 28.

13. DIVIDEND

No dividend was proposed or paid by the Company during the year (2002: nil).

14. LOSS PER SHARE

The calculation of the loss per share for the year is based on the net loss for the year of HK\$43,684,000 (2002: HK\$47,675,000) and on 3,116,124,045 (2002: weighted average of 2,197,101,754) ordinary shares in issue.

No diluted loss per share was presented for the year ended 31st March, 2002 as the exercise prices of the Company's outstanding share options were higher than the average market price of shares of the Company for that year.

15. INVESTMENT PROPERTIES

	THE GROUP
	<i>HK\$'000</i>
VALUATION	
At 1st April, 2002	6,000
Deficit arising on valuation of investment properties	<u>(200)</u>
At 31st March, 2003	<u><u>5,800</u></u>

The Group's investment properties, which are rented out or to be rented out under operating leases, are held under long-term land use rights in the PRC.

The Group's investment properties were revalued at 31st March, 2003 by RHL Appraisal Ltd., an independent firm of professional property valuers, on an open market value basis at HK\$5,800,000. The deficit arising on revaluation of HK\$200,000 was charged to the consolidated income statement.

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16. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP				THE COMPANY
	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	Motor vehicles HK\$'000
COST					
At 1st April, 2002	1,330	435	1,063	2,828	434
Additions	–	32	109	141	109
At 31st March, 2003	1,330	467	1,172	2,969	543
DEPRECIATION AND AMORTISATION					
At 1st April, 2002	496	168	250	914	172
Provided for the year	296	151	367	814	178
At 31st March, 2003	792	319	617	1,728	350
NET BOOK VALUES					
At 31st March, 2003	538	148	555	1,241	193
At 31st March, 2002	834	267	813	1,914	262

17. INTERESTS IN SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries, less allowances	462,469	520,304
	462,469	520,304

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

17. INTERESTS IN SUBSIDIARIES (Continued)

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Out of the balance at 31st March, 2003, an amount of HK\$229,757,000 (2002: HK\$337,850,000) bears interest at prevailing market rate and the remaining balance is interest-free. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

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

Details of the Company's principal subsidiaries at 31st March, 2003 are set out in note 40.

18. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	-	-
Amount due from the associate, less allowances	-	-
	-	-
	<u>-</u>	<u>-</u>

Details of the Group's associate at 31st March, 2003, which is held indirectly by the Company, are as follows:

Name of associate	Place of incorporation/ operation	Attributable equity interest %	Principal activities
Triple Chain Limited	British Virgin Islands/ Hong Kong	50	Investment in companies engaged in the development, marketing and distribution of application software

NOTES TO THE FINANCIAL STATEMENTS

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19. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Non-current investments:		
Investment securities, at cost		
Overseas unlisted shares (<i>note i below</i>)	135,000	95,000
Less: Impairment losses recognised	(82,000)	(37,000)
	<u>53,000</u>	<u>58,000</u>
Current investments:		
Other investments, at market value		
Hong Kong listed shares (<i>note ii below</i>)	2,519	–
	<u>2,519</u>	<u>–</u>

Notes:

- i. The directors of the Company consider that the investment securities are held for long-term strategic purposes. Out of the cost of HK\$135,000,000 at 31st March, 2003;
 - (a) an amount of HK\$50,000,000 which represents the Group's investment in an investee company, Hennabun Management Inc. ("HMI"). HMI acts as an investment holding company of companies engaged in the brokerage, commodity trading, margin financing, money lending and corporate finance advisory services.

At 31st March, 2002, an impairment loss of HK\$37,000,000 had been recognised in the Group's investment in HMI to restate the carrying value of the investment to its estimated recoverable amount, with reference to the price of the proposed new issue of shares in HMI subsequent to 31st March, 2002.
 - (b) an amount of HK\$45,000,000 which represents the Group's investment in Auto System Limited ("Auto System"). Auto System develops software programme known as the "intelligent home" property management system. It is designed for large residential complex club house, shopping malls, entertainment and recreational centres.

At 31st March, 2003, an impairment loss of HK\$45,000,000 had been recognised in the Group's investment in Auto System to restate the carrying value of the investment to its estimated recoverable amount, with reference the financial information of Auto System at the balance sheet date.
 - (c) an amount of HK\$40,000,000 which represents the Group's investment in Xi'an Yizhiliu Pharmaceutical Co., Ltd. (西安一枝刘制药有限公司)("Yizhiliu"), a company established in the PRC. The investment is a 22.5% holding of the registered capital of Yizhiliu. Yizhiliu is not regarded as an associate of the Group as the Group is not in a position to exercise significant influence over its affairs.
- ii. At 31st March, 2003, the Group has pledged its other investments with an aggregate carrying amount of HK\$2,519,000 to secure the other borrowings of HK\$1,101,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

20. NOTES RECEIVABLE

		THE GROUP	
		2003	2002
		HK\$'000	HK\$'000
		<i>Notes</i>	
The notes receivable comprise:			
5% convertible note receivable ("5% Note")	(a)	-	2,000
7.5% convertible note receivable ("7.5% Note")	(b)	-	53,000
		<u>-</u>	<u>55,000</u>
Analysed as:			
Within one year and included in current assets		<u>-</u>	<u>55,000</u>

Notes:

- (a) The 5% Note was issued on 16th January, 2001 by Asia Orient Holdings Limited ("Asia Orient"), a public company listed on the Stock Exchange, and is redeemable on the second anniversary date of issue (the "5% Note Maturity Date").

The 5% Note was unsecured, bore interest at a rate of 5% per annum and redeemed during the year. Pursuant to the terms of the 5% Note, the Group had the option to convert all or part of the 5% Note into shares of Asia Orient of HK\$0.005 each as follows:

- (i) at an initial price of HK\$0.088, subject to adjustments, at any time during the period from the date of issue up to the date before the first anniversary date of issue; and
 - (ii) at an initial price of HK\$0.09, subject to adjustments, at any time during the period after the first anniversary date of issue up to the 5% Note Maturity Date.
- (b) The 7.5% Note was issued on 23rd October, 2000 by Cupac Technology Limited ("Cupac"), and was redeemable on the first anniversary date of issue (the "7.5% Note Maturity Date").

The 7.5% Note bore interest at a rate of 7.5% per annum, was unsecured and guaranteed by a shareholder of Cupac and redeemed during the year. Pursuant to the terms of the 7.5% Note, the Group had the option to convert all or part of the 7.5% Note into shares of Cupac of HK\$0.01 each at an initial price of HK\$0.80 per share, subject to adjustments, at any time during the period from the date of issue up to the 7.5% Note Maturity Date.

Cupac is a private limited company incorporated in Bermuda. It acts as an investment holding company and holds an investment portfolio of internet-related business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

21. INTANGIBLE ASSET

The intangible asset of the Group represents the technology of global positioning security system which was injected by a minority shareholder of a subsidiary during the year. It was recorded at fair value at the date of injection. The operation of the subsidiary has not commenced and, accordingly, no amortisation of the intangible asset is provided.

The intangible asset is amortised over its estimated useful life of 3 years.

In the opinion of the directors, the underlying value of intangible asset at 31st March, 2003 was not less than its carrying value.

22. PROPERTIES HELD FOR RESALE

The Group's properties held for resale are held under the following lease terms:

Medium-term land use rights in the PRC
Less: Impairment losses recognised

THE GROUP	
2003 HK\$'000	2002 HK\$'000
-	107,742
-	(77,742)
<hr/>	<hr/>
-	30,000
<hr/>	<hr/>

As explained in the Company's circular dated 26th July, 2001, the Group entered into a loan agreement (the "Loan Agreement") with a third party (the "Lender"), pursuant to which the Lender agreed to grant a revolving loan facility to the extent of HK\$30,000,000 to the Group and the Group transferred the title of the Group's properties held for resale (with a net carrying value of HK\$30,000,000 at 31st March, 2002) to a nominee of the Lender (the "Nominee") as securities for the obligations of the Group under the Loan Agreement. All the proceeds received from the properties will belong to the Group. Upon repayment in full by the Group of all sum due under the Loan Agreement, the Lender shall procure the transfer of the properties back to the Group. There was no drawn down of the loan and the loan agreement was terminated during the year.

During the year, the Group entered into an agreement and disposed of the properties held for resale at a consideration of HK\$30,000,000 to the Nominee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

23. OTHER RECEIVABLES

At 31st March, 2003, other receivables of the Group includes sales proceeds on disposal of properties held for resale and a refundable deposit on the cancellation of acquisition of a subsidiary amounting to HK\$28,000,000 (2002: nil) and HK\$28,843,000 (2002: nil), respectively. Details of the transactions are set out in notes 22 and 25(a).

24. SHORT-TERM LOANS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
The short-term loans, net of allowances, comprise:		
Unsecured loans	196,848	123,543
Secured loan (<i>note below</i>)	50,000	50,000
	<u>246,848</u>	<u>173,543</u>

The short-term loans bear interest at prevailing market rate and are due for repayment within one year.

The Group negotiates credit period with borrowers according to the credit of individual borrower.

Note: The secured loan is secured by pledge of shares of property holding companies ("Property Companies") which are under the control of the borrowers. Pursuant to the agreement between the Group and the borrowers, the Group was granted a call option to require the borrowers to sell all of the shares of the Property Companies to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

25. DEPOSITS MADE ON INVESTMENTS

	Notes	THE GROUP	
		2003 HK\$'000	2002 HK\$'000
The deposits made on investments comprise:			
Deposits made on acquisition of a subsidiary	(a)	-	87,909
Deposit made on acquisition of a note receivable	(b)	-	22,750
Deposit made on acquisition of a land use right	(c)	-	23,585
		<u>-</u>	<u>134,244</u>

Notes:

- (a) The amount represents deposits and related expenses paid for the acquisition of a subsidiary in the PRC.

In January 2001, the Group entered into two conditional agreements (the "Acquisition Agreements") with 河南省義馬市國有資產管理局 (Henan Provincial Yima Municipal State-owned Assets Administration Bureau, "Henan Yima") and 河南省義馬市狂口居委會 (Henan Provincial Yima Municipal Kuangkou Neighbourhood Committee, "Henan Yima Committee") to acquire 91.3% and 8.7% equity interest in 河南興邦藥業有限公司 (Henan Xingbang Pharmacy Limited, "Xingbang Pharmacy") from Henan Yima and Henan Yima Committee, respectively, for a total consideration of RMB146,225,000 (equivalent to HK\$136,658,000).

Xingbang Pharmacy is a state-owned limited liability company registered in the PRC and principally engaged in the manufacture, process, sale and export of traditional Chinese medicine in the PRC.

In 2001, deposits amounting to RMB85,131,000 (equivalent to HK\$79,561,000) and RMB8,112,000 (equivalent to HK\$7,582,000) had been paid by the Group to Henan Yima and Henan Yima Committee, respectively.

As Henan Yima and Henan Yima Committee had not obtained the approval from the relevant authorities in the PRC to complete the Acquisition Agreements, two termination agreements were entered into between the Group and each of Henan Yima and Henan Yima Committee on 29th April, 2002. Pursuant to the termination agreements, the parties agreed to terminate the Acquisition Agreements and Henan Yima and Henan Yima Committee agreed to refund the deposits paid by the Group, plus accrued interest, with an aggregate amount of HK\$88,802,000 to the Group.

Details of which are set out in the announcement of the Company dated 29th April, 2002.

- (b) The amount outstanding at 31st March, 2002 represented deposit paid for the acquisition of a note receivable to be issued by Cupac.

During the year, the amount was fully refunded, together with the accrued interest, to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

25. DEPOSITS MADE ON INVESTMENTS (Continued)

Notes: (Continued)

- (c) The amount outstanding at 31st March, 2002 represented deposit paid for the acquisition of a piece of land in the PRC.

In November 2001, the Group entered into an agreement with a third party and pursuant to which the Group agreed to acquire the land for a total consideration of RMB45,009,000 (equivalent to HK\$42,461,000). The land is held under a long-term land use right situated in Xian, the PRC. At 31st March, 2002, the Group paid a deposit of RMB25,000,000 (equivalent to HK\$23,585,000).

During the year, the acquisition agreement was terminated and full amount was refunded to the Group.

26. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The bank and other borrowings, which are due within one year, comprise:				
Secured other borrowings	1,101	—	—	—
Unsecured bank overdrafts	479	—	479	—
	<u>1,580</u>	<u>—</u>	<u>479</u>	<u>—</u>

27. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary of the Company is unsecured, interest-free and has no fixed terms of repayment. Having agreed by the subsidiary, the amount will not be repayable within twelve months from the balance sheet date and is therefore shown as non-current.

28. DEFERRED TAXATION

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
At 1st April	—	102
Disposal of subsidiaries	—	(82)
Credit for the year (note 12)	—	(20)
At 31st March	<u>—</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

28. DEFERRED TAXATION (Continued)

At 31st March, 2003, the Group and the Company had an unrecognised deferred taxation asset of HK\$4,395,000 (2002: HK\$4,834,000) and HK\$2,293,000 (2002: HK\$2,708,000), respectively, which represents the tax effect of timing differences arising as a result of tax losses available to set off against future assessable profits. These deferred taxation assets have not been recognised in the financial statements as it is uncertain that the assets will be realised in the foreseeable future.

29. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Balance at 1st April, 2001, ordinary shares of HK\$0.10 each	20,000,000,000	2,000,000
Capital reduction and sub-division	180,000,000,000	–
	<u>20,000,000,000</u>	<u>2,000,000</u>
Balance at 31st March, 2002 and 31st March, 2003, ordinary shares of HK\$0.01 each	<u>200,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
Balance at 1st April, 2001, ordinary shares of HK\$0.10 each	865,590,015	86,559
Capital reduction	–	(77,903)
Placement of shares	173,118,000	1,731
Rights issue	2,077,416,030	20,774
	<u>2,116,124,045</u>	<u>109,161</u>
Balance at 31st March, 2002 and 31st March, 2003, ordinary shares of HK\$0.01 each	<u>3,116,124,045</u>	<u>31,161</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

29. SHARE CAPITAL *(Continued)*

(a) During the year ended 31st March, 2002, the following changes in the share capital of the Company took place:

(i) Pursuant to a special resolution at the extraordinary general meeting of the Company held on 27th February, 2001, the shareholders approved the following:

1. The issued share capital of the Company was reduced from an amount of HK\$86,559,000 to HK\$8,656,000 by cancelling paid up share capital of the Company to the extent of HK\$0.09 on each of the ordinary share in issue so that each issued ordinary share of HK\$0.10 in the share capital of the Company treated as one fully paid up ordinary share of HK\$0.01 in the share capital of the Company (the "Capital Reduction");
2. The Company applied the credit arising from the Capital Reduction to a distributable reserve of the Company; and
3. Every ordinary share of HK\$0.10 in the unissued share capital of the Company were sub-divided into ordinary shares of HK\$0.01 each of the Company.

The issued and unissued ordinary shares resulting from the above changes rank *pari passu* in all respects in accordance with the clauses of the Company's Articles of Association.

On 17th April, 2001, the Grand Court of the Cayman Islands confirmed that the above alternation of the issued capital and unissued capital of the Company were completed.

On 19th April, 2001, the Cayman Islands' Registrar of Companies registered the above alternation of the issued capital and unissued capital of the Company.

(ii) Pursuant to a placing agreement entered into on 28th May, 2001, the Company issued 173,118,000 ordinary shares of HK\$0.01 each at a price of HK\$0.12 per share. The price of HK\$0.12 per share represents a discount of approximately 20% to the closing price of the Company's shares on 28th May, 2001 as quoted on the Stock Exchange. The net proceeds of the placement of approximately HK\$20,000,000 was used for additional working capital of the Group.

These new ordinary shares were issued under the general mandate granted to the directors of the Company at the extraordinary general meeting held on 27th February, 2001.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

29. SHARE CAPITAL *(Continued)*

- (iii) On 24th August, 2001, the shareholders of the Company approved to issue, by way of rights issue (the "Rights Issue"), of 2,077,416,030 rights shares (the "Rights Shares") to the holders of the then existing ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.10 for one Rights Share, on the basis of two Rights Shares for every one then existing ordinary share of the Company. The net proceeds of the Rights Issue of approximately HK\$201,000,000 would be used towards future investment opportunities of the Company.

These new ordinary shares issued during the year ended 31st March, 2002 ranked *pari passu* with the then existing ordinary shares of the Company in all respects.

30. SHARE OPTION SCHEMES

In order to comply with the requirements of the Rules Governing the Listing of the Securities (the "Listing Rules") on the Stock Exchange, the Company adopted a new share option scheme (the "New Scheme") to replace its original share option scheme adopted on 2nd July, 1999 (the "Old Scheme"). The New Scheme was adopted and the Old Scheme was terminated on 23rd August, 2002 (the "Adoption Date").

The Old Scheme

The Old Scheme was for the primary purpose of providing incentive to directors and eligible employees. The Company was allowed to grant options to any full time employee including executive directors of the Company and its subsidiaries to subscribe for shares of the Company (the "Share(s)"). Upon acceptance of the option, the grantee must pay HK\$1 to the Company by way of consideration for the grant.

Options granted were exercisable for a period to be notified by the board of directors of the Company (the "Board") to each grantee and in any event such period of time shall not exceed a period of ten years commencing on the date on which the option was accepted. The maximum number of Shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company from time to time.

The subscription price for a Share under the Old Scheme was a price to be determined by the directors of the Company being the higher of the nominal value of the ordinary share of the Company or a price being not less than 80% of the average closing price of the ordinary share of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of the options.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

30. SHARE OPTION SCHEMES *(Continued)*

The New Scheme

Subject to the provisions of the scheme, the New Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date. The primary purpose of the New Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its shareholders as a whole.

The categories of the participants under the New Scheme are any directors (including executive directors, non-executive directors and independent non-executive directors) of the Company and its subsidiaries and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers to the Group who the Board considers, in its sole discretion have contributed or will contribute to the Group.

The Board may, at its absolute discretion, made an offer to any participant to take up options. An offer is deemed to have been accepted and an option is deemed to have been granted and accepted and shall take effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee and the remittance of HK\$1 by way of consideration for the grant thereof is received by the Company.

The total number of Shares which may be issued upon exercise of all options granted under the New Scheme and other share option scheme(s) of the Company (excluding options elapsed) must not exceed 311,612,404 Shares, being approximately 10% of the total number of Shares in issue on the Adoption Date, except with prior approvals from the Company's shareholders. An option may be exercised during a period to be notified by the Board but may not be exercised after the expiry of 10 years after the date of grant of the option. The maximum number of Shares in respect of which options may be granted to a specifically identified single grantee under the New Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) in any 12-month period exceed 1 % of the Shares in issue. Any further grant of options in excess of this limit is subject to shareholders' approval in advance in a general meeting.

The subscription price for shares on the exercise of options under the New Scheme shall be determined by the Board in its absolute discretion but in any event shall not be less than the greater of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date on which an option is granted; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a Share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

30. SHARE OPTION SCHEMES (Continued)

The New Scheme (Continued)

There were no options granted either under the Old Scheme or the New Scheme during the year ended 31st March, 2003 and there were no outstanding options as at 1st April, 2002 and 31st March, 2003.

A summary of the movements during the year ended 31st March, 2002 in the share options held by employees (including directors of the Company) granted under the Old Scheme is as follows:

Name of former director	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.4.2001	Lapsed during the year	Outstanding 31.3.2002
Chan Kwok Hung	27.8.1999	27.8.1999 - 26.8.2004	0.205	8,500,000	(8,500,000)	-
	1.3.2000	2.3.2000 - 1.3.2005	0.453	2,700,000	(2,700,000)	-
Cheung Kwok Wah	8.9.1999	9.9.1999 - 8.9.2004	0.319	2,000,000	(2,000,000)	-
	1.3.2000	2.3.2000 - 1.3.2005	0.453	2,500,000	(2,500,000)	-
Wong Kun To	27.8.1999	27.8.1999 - 26.8.2004	0.205	6,500,000	(6,500,000)	-
	8.9.1999	9.9.1999 - 8.9.2004	0.319	2,000,000	(2,000,000)	-
	1.3.2000	2.3.2000 - 1.3.2005	0.453	2,600,000	(2,600,000)	-
Lam Shan	1.3.2000	2.3.2000 - 1.3.2005	0.453	2,600,000	(2,600,000)	-
Tong Chin Shing	1.3.2000	2.3.2000 - 1.3.2005	0.453	2,500,000	(2,500,000)	-
Employees				31,900,000	(31,900,000)	-
	1.3.2000	2.3.2000 - 1.3.2005	0.453	2,300,000	(2,300,000)	-
Total				<u>34,200,000</u>	<u>(34,200,000)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

31. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Warrant reserve HK\$'000	Contributed surplus HK\$'000	Distributable reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY							
At 1st April, 2001	88,098	485	26,754	39,521	517,288	(362,186)	309,960
Capital Reduction (note 29(a)(i))	-	-	-	-	77,903	-	77,903
Premium arising on issue of shares	206,010	-	-	-	-	-	206,010
Expenses incurred in connection with the issue of shares	(6,652)	-	-	-	-	-	(6,652)
Transfer (note (d) below)	-	-	(26,754)	-	-	26,754	-
Net loss for the year	-	-	-	-	-	(96,080)	(96,080)
At 31st March, 2002	287,456	485	-	39,521	595,191	(431,512)	491,141
Net loss for the year	-	-	-	-	-	(61,909)	(61,909)
At 31st March, 2003	287,456	485	-	39,521	595,191	(493,421)	429,232

Notes:

- (a) The special reserve of the Group represents the difference between the aggregate amount of the share capital and share premium account of a company which was the former holding company of the Group and the nominal value of the Company's shares issued pursuant to the group reorganisation in 1992.
- (b) The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the underlying net tangible asset value net of pre-acquisition dividends and realised pre-acquisition investment property revaluation reserve of subsidiaries which were acquired by the Company pursuant to the group reorganisation in 1992.
- (c) The distributable reserve of the Group and the Company represents the aggregate of the credit arising from the following:
- (i) the reduction of nominal value of the consolidated shares from HK\$0.10 each to HK\$0.002 each by cancelling HK\$0.098 paid up on each issued share and the cancellation of share premium account as at 31st October, 1998, after a transfer of HK\$607,193,000 towards the elimination of the accumulated losses of the Company as at 31st October, 1998; and
 - (ii) Capital Reduction during the year ended 31st March, 2002.
- (d) The rights attached to the warrants of the Company to subscribe for ordinary shares of the Company expired on 3rd May, 2001 and the balance of the warrant reserve was transferred to accumulated losses accordingly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

32. ACQUISITION OF A SUBSIDIARY

	2003 HK\$'000	2002 HK\$'000
Asset acquired:		
Property, plant and equipment	<u>-</u>	<u>630</u>
Satisfied by:		
Cash	<u>-</u>	<u>630</u>

The subsidiary acquired during the year ended 31st March, 2002 did not have significant impact to the revenue or cash flows of the Group for that year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

33. DISPOSAL OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of:		
Property, plant and equipment	-	44,538
Inventories	-	59,407
Trade and other receivables	-	43,789
Tax recoverable	-	129
Bank balances and cash	-	21,372
Trade and other payables	-	(62,241)
Bank and other borrowings	-	(57,315)
Deferred taxation	-	(82)
Obligations under finance leases	-	(144)
	<hr/>	<hr/>
Net assets	-	49,453
Gain on disposal of subsidiaries	-	24,525
Minority interests	-	(24,432)
Negative goodwill realised on disposal	-	(4,231)
Translation reserve realised on disposal	-	585
	<hr/>	<hr/>
	-	45,900
	<hr/>	<hr/>
Satisfied by:		
Cash consideration received	-	45,900
	<hr/>	<hr/>
Analysis of net outflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration received	-	45,900
Bank borrowings	-	15,875
Bank balances and cash disposed of	-	(21,372)
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in connection with the disposal of subsidiaries	-	40,403
	<hr/>	<hr/>

The subsidiaries disposed of during the year ended 31st March, 2002 contributed HK\$151,055,000 to the Group's turnover and HK\$12,418,000 to the Group's loss from operations of that year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st March, 2003, the following major non-cash transactions took place:

- (a) The minority shareholder of a subsidiary injected an intangible asset of HK\$33,962,000 to the Group.
- (b) Reclassification of HK\$28,843,000 from deposits made on investments to other receivables.

35. OPERATING LEASE COMMITMENTS

- (a) The Group as lessee

	2003 HK\$'000	2002 HK\$'000
Minimum lease payments paid by the Group under operating leases in respect of premises during the year	<u>1,012</u>	<u>24,407</u>

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	857	937
In the second to fifth year inclusive	540	–
	<u>1,397</u>	<u>937</u>

Operating lease payments represent rentals payable by the Group for its office premises, factory premises and retail shops. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

35. OPERATING LEASE COMMITMENTS (Continued)

(b) The Group as lessor

	2003 HK\$'000	2002 HK\$'000
Property rental income earned during the year	<u>2,919</u>	<u>2,119</u>

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2003 HK\$'000	2002 HK\$'000
Within one year	2,341	2,980
In the second to fifth year inclusive	598	2,536
	<u>2,939</u>	<u>5,516</u>

The Group's properties are expected to generate rental yield of 9.7% (2002: 7.1%) on an ongoing basis. Certain of the properties held have committed tenants for an average of two years.

36. COMMITMENTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	<u>170,913</u>	<u>18,876</u>

At 31st March, 2003, Sure Success Development Limited ("SSD"), a wholly-owned subsidiary of the Company, had outstanding commitment of HK\$170,913,000 for the acquisition of properties in the PRC. SSD was disposed of by the Group on 12th May, 2003. The details of the disposal are set out in note 38.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

36. COMMITMENTS *(Continued)*

At 31st March, 2002, the Group had outstanding commitment of HK\$49,515,000 in respect of the acquisition of a subsidiary in the PRC (*note 25(a)*).

The Company did not have any significant commitments at the balance sheet date.

37. PENSION SCHEMES

The Group has operated a defined contribution scheme and a MPF Scheme for all employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in an independently-administered fund. The Group's employer contributions are contributed into the schemes in accordance with the rules of the schemes.

38. POST BALANCE SHEET EVENT

On 12th May, 2003, the Group entered into a conditional agreement with a third party, for the disposal of the entire share of SSD at a consideration of HK\$500,000.

Details of the transaction are set out in the announcement of the Company on 13th May, 2003.

39. RELATED PARTY TRANSACTIONS

The Group had the following transactions with the related parties:

Name of parties	Nature of transactions	2003 HK\$'000	2002 HK\$'000
Ms. Yau Shum Tek, Cindy and Mr. Wang Chun Lin (<i>Note</i>)	Purchase 100% issued share capital of a company	-	630

The transactions disclosed above were entered at terms determined and agreed by the Group and the relevant party.

Note: Ms. Yau Shum Tek, Cindy and Mr. Wang Chun Lin are executive director and former director of the Company, respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

40. PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Asia Hunter Global Limited	British Virgin Islands	US\$1	100	–	Investment holding
Brilliance Assets Limited	British Virgin Islands	US\$1	–	100	Investment holding
East Global Development Limited	British Virgin Islands	US\$1	–	100	Investment holding
Eastern Sunny Limited	Hong Kong	HK\$2	–	100	Provision of management service
Equity Spin Investments Limited	British Virgin Islands	US\$1	100	–	Investment holding
Far Hero Limited	Hong Kong	HK\$2	–	100	Property investment
Genesis Sun Holdings Limited	Hong Kong	HK\$2	–	100	Investment holding
Globe Concept Holdings Ltd.	British Virgin Islands	US\$1	–	100	Investment holding
Goldall International Limited	Hong Kong	HK\$100,000	–	100	Provision of management service
Hansom Finance Limited	Hong Kong	HK\$2	–	100	Provision of finance
Longsun Ltd.	British Virgin Islands	US\$1	100	–	Investment holding
Peking Bay Assets Limited	British Virgin Islands	US\$1	–	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

40. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Shaanxi Weiguang Technology Co., Ltd. (note i below)	PRC	RMB120,000,000	-	66.67	Intended to manufacture of global positioning security system and devices
Smart Jump Corporation	British Virgin Islands	US\$1	-	100	Trading of securities
SSD	British Virgin Islands	US\$1	-	100	Property investment
Time Achieve Profits Limited	British Virgin Islands	US\$1	-	100	Investment holding
Top Achievers Co., Ltd.	British Virgin Islands	US\$1	-	100	Investment holding
Up Keep Investments Limited	British Virgin Islands	US\$1	-	100	Investment holding
Well Faith Ltd.	British Virgin Islands	US\$1	-	100	Property holding
Win Advance Development Limited	Hong Kong	HK\$2	-	100	Property investment
西安恒盛物業發展有限公司 (note ii below)	PRC	HK\$25,000,000	-	100	Property holding

Notes:

- i. sino-foreign joint venture
- ii. wholly foreign-owned enterprise

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

40. PRINCIPAL SUBSIDIARIES *(Continued)*

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.