Notes to the Accounts

1. BASIS OF PREPARATION OF THE ACCOUNTS

The Group sustained a consolidated net loss attributable to the shareholders of HK$57,448,000 for the year ended 31 March 2003 and at that date its net current liabilities and net liabilities were approximately HK$79,007,000 and HK$92,832,000 respectively. In preparing these accounts, the Directors have given careful consideration to the future liquidity of the Group.

After taking the following circumstances into consideration, the Directors prepared the accounts of the Group on the basis that the Group would continue to operate as a going concern:

(i) On 10 June 2003, the Company entered into a subscription agreement with a potential investor (the "Subscriber") for the subscription of shares of the Company. The subscription agreement was further amended by supplemental agreements signed on 27 August 2003, 30 September 2003 and 19 December 2003 respectively (the "Subscription Agreement"). The Subscription Agreement includes the subscription of the Company's ordinary shares by the Subscriber, the issue of bonus shares by the Company to the Subscriber and granting of an option to the Subscriber for further subscription of ordinary shares of the Company. The subscription is conditional upon, among other things, the approval of the shareholders of the Company. Details of the Subscription Agreement and the Subscriber are pending to be announced upon clearance from The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(ii) On 23 September 2003, a total of 66,000,000 ordinary shares of HK$0.10 each were issued to Precise Global Investments Limited, a convertible bond holder, upon the full conversion of the convertible bond with the principal amount of HK$6,600,000 at a conversion price of HK$0.10 each.

(iii) On 22 October 2003, the Group sold certain properties for sale at an aggregate consideration of HK$4,700,000. The proceeds had been used to repay the outstanding mortgage loan of the properties while the balance was used as general working capital of the Group.

(iv) On 16 December 2003, the Group entered into a sale and purchase agreement for the sale of certain properties at an aggregate consideration of HK$12,800,000 (the "Disposal"). The Disposal constitutes a major transaction of the Company for the purpose of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and is subject to the approval of the shareholders of the Company. The Disposal is expected to complete on or before 31 March 2004. The proceeds will be used to repay the outstanding mortgage loan of the properties and part of the outstanding indebtedness of the Group while the balance will be used as general working capital of the Group.

Notes to the Accounts

1. BASIS OF PREPARATION OF THE ACCOUNTS *(Continued)*

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the accounts.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

The accounts have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). The accounts are prepared under the historical cost convention as modified by the revaluation of certain properties and other investments.

In the current year, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	Presentation of financial statements
SSAP 15 (revised)	Cash flow statements
SSAP 34	Employee benefits

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies on the amounts disclosed in the accounts of adopting these SSAPs are summarised as follows:

SSAP 1 (revised) prescribes the basis for the presentation of accounts and set out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 27 in place of the consolidated statement of recognised gains and losses that was previously required.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

SSAP 15 (revised) prescribes the format for the cash flow statement. The principal impact of the revision on this SSAP is that cash flows are now presented under three headings, that is, cash flows from operating, investing and financing activities, rather than the five headings previously required. The format of the consolidated cash flow statement set out on page 28 of the accounts and the notes thereto have been revised in accordance with the new requirements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. Further details of the impact of the SSAP are included under the heading "Employee benefits" in note 2(q)(i) below. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 26 to the accounts. These share option scheme disclosures are similar to disclosures under the Listing Rules previously included in the Report of the Directors, but which are now required to be included in the notes to the accounts as a consequence of the SSAP.

(a) Group accounts

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital, or by way of having power to govern its financial and operating policies so that the Group obtains benefits from their activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and also any related accumulated foreign currency translation reserve.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Group accounts *(Continued)*

(i) Consolidation (Continued)

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associates

An associate is a company, not being a subsidiary, in which an equity interest is held for long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of results of associates for the year. The consolidated balance sheet includes the Group's share of the net assets of the associates.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of that associate.

(b) Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisition is included in intangible assets and is amortised using the straight-line method over its estimated useful life not exceeding 20 years.

The gain or loss on disposal of a subsidiary/associate includes the unamortised balance of goodwill relating to the subsidiary/associate disposed of to the extent that it has not previously been realised in the consolidated results.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of fixed assets is calculated to write off their cost on a straight-line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are as follows:—

Leasehold improvements	20%
Furniture and equipment	10 — 20%
Motor vehicles	20 — 30%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(d) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital element and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over their estimated useful lives.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

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

(f) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount of an asset, is recognised as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Inventories

Inventories comprising goods for resale are stated at the lower of cost and net realisable value. Cost is calculated on the first in first out basis by reference to invoiced value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Properties for sale

Properties for sale are stated at the lower of cost and net realisable value which is determined by reference to prevailing market prices, on an individual property basis. No depreciation is provided for properties for sale.

(i) Accounts receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks and bank overdrafts.

(k) Convertible debts

Convertible debts are stated at the aggregate of net proceeds from the issue plus finance costs allocated less payments made to the debts holders.

The net proceeds represent the amount received on the issue of the debts after deduction of direct issuing costs.

The finance costs and direct issuing costs are amortised to the profit and loss account on a straight line basis over the terms of the debts.

In the event that the debts are converted, the amount recognised in respect of the shares issued upon conversion is the principal amount at which the liability of the debts is stated as at the date of conversion.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(n) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(o) Translation of foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences arising in these cases are dealt with in the consolidated profit and loss account.

On consolidation, the accounts of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the average rates for the year. The balance sheets of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are dealt with as a movement in the exchange reserve.

(p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred. During the year, all borrowing costs have been expensed.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits

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

Prior to 1 April 2002, it was not the Group's policy to accrue paid annual leave, leave passage and the cost to the Group of non-monetary benefits. The adoption of SSAP 34 constitutes a change in accounting policy which should be applied retrospectively and such employee benefits should be recognised as a prior year adjustment to opening retained earnings in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies". This change has resulted in an increase in the net liabilities of the Group as at 31 March 2002 by HK$285,000 and an increase in loss attributable to shareholders for the year ended 31 March 2002 by HK$211,000. Opening balance of accumulated losses as at 1 April 2001 has been increased by HK$496,000.

(ii) The Group operates Mandatory Provident Fund schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all eligible employees of the Company and its subsidiaries in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid. The assets of the MPF schemes are held separately from those of the Group in an independently administered fund.

(iii) The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated profit and loss account in respect of the value of options granted during the year. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or which lapsed prior to their exercise date are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Revenue

(i) Revenue from the sale of properties is recognised when the relevant sale and purchase agreement becomes legally binding and unconditional.

(ii) Revenue from the rendering of logistics and freight forwarding services is recognised when the service is rendered.

(iii) Revenue from the rendering of consultancy, marketing, maintenance, web application and information technology related services is recognised when the service is rendered, or pro-rata over the life of the agreement, where appropriate and corresponding to notional delivery of the service.

(iv) Revenue from property broking is recognised when the relevant agreement becomes unconditional or irrevocable.

(v) Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership which generally coincides with the time when the goods are delivered to customers and the title has passed.

(vi) Rental income and interest income are recognised on a time proportion basis.

(s) Segment reporting

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

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segment as the secondary reporting format.

Segment assets consist primarily of fixed assets, inventories, receivables and operating cash, and exclude investments in associates. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to fixed assets (note 13).

Notes to the Accounts

3. REVENUES AND TURNOVER

The Group is principally engaged in the provision of logistics, freight forwarding service, property agency service, property investment, trading and consultancy service. Revenues recognised during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Turnover		
Sales and leasing of properties	**2,705**	14,072
Freight forwarding, shipping and logistics services	**1,264**	2,296
Property and household services	**102**	1,493
Information technology investments and related services	**—**	670
Sales of goods	**1,520**	2,985
Consultancy, marketing and other services	**1,342**	1,328
	6,933	22,844
Other revenues		
Interest income	**—**	945
Compensation received	**236**	—
Others	**111**	316
	347	1,261
Total revenues	**7,280**	24,105

Notes to the Accounts

4. SEGMENT INFORMATION

Segment information is presented on a primary segment reporting basis, by business segment, only as over 90% of the Group's revenue and assets are derived from operations carried out in the People's Republic of China including Hong Kong Special Administrative Region. No geographical analysis is presented.

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

— sales and leasing of properties;
— logistics, freight forwarding and shipping services;
— sales of goods;
— consultancy, marketing and other services;
— property and household services; and
— others.

The following tables represent revenue and profit information on each of the above business segments for the years ended 31 March 2003 and 2002, and certain assets and liabilities information regarding business segments at 31 March 2003 and 2002.

Notes to the Accounts

4. SEGMENT INFORMATION *(Continued)*

	Turnover		Segment result	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				As restated
Sales and leasing of properties	**2,705**	14,072	**(4,524)**	(14,693)
Logistics, freight forwarding, and shipping services	**1,264**	2,296	**(9,353)**	(25,111)
Sales of goods	**1,520**	2,985	**384**	(2,260)
Consultancy, marketing and other services	**1,342**	1,328	**676**	(1,066)
Property and household services	**102**	1,493	**(2,220)**	(10,698)
Others	**—**	670	**(266)**	(23,175)
	6,933	22,844	**(15,303)**	(77,003)
Interest income			**—**	945
Unallocated corporate expenses			**(27,961)**	(23,186)
Gain on disposal of subsidiaries			**—**	6,779
Loss from operations			**(43,264)**	(92,465)
Finance costs			**(14,214)**	(3,228)
Share of profit of associates			**63**	53
Loss before taxation			**(57,415)**	(95,640)
Taxation			**(33)**	(77)
Loss before minority interests			**(57,448)**	(95,717)

Notes to the Accounts

4. SEGMENT INFORMATION *(Continued)*

	Depreciation and amortisation		Non cash expenses other than depreciation and amortisation		Capital expenditures	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales and leasing of properties	**399**	328	**3,946**	3,720	**436**	1,071
Logistics, freight forwarding, and shipping services	**409**	828	**1,775**	5,354	**—**	—
Sales of goods	**—**	43	**36**	2,051	**—**	—
Consultancy, marketing and other services	**—**	8	**—**	—	**—**	—
Property and household services	**25**	201	**747**	231	**—**	—
Others	**—**	—	**250**	21,509	**—**	—
Unallocated	**116**	183	**13,941**	7,584	**—**	5
	949	1,591	**20,695**	40,449	**436**	1,076

	Segment assets		Segment liabilities	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales and leasing of properties	**42,413**	31,059	**21,852**	16,288
Logistics, freight forwarding, and shipping services	**279**	3,444	**16,736**	14,396
Sales of goods	**151**	453	**678**	1,428
Consultancy, marketing and other service	**—**	28	**—**	1,089
Property and household services	**1,212**	2,548	**7,721**	8,489
Others	**6**	250	**43**	30
Interests in associates	**(639)**	(358)	**—**	—
Unallocated	**1,234**	1,648	**90,458**	47,635
	44,656	39,072	**137,488**	89,355

Notes to the Accounts

5. OTHER CHARGES

	2003	2002
	HK$'000	*HK$'000*
Compensation paid	**(180)**	—
Gain on disposal of subsidiaries	**—**	6,779
Impairment loss on fixed assets	**—**	(125)
Loss on disposal and write off of fixed assets	**(1,672)**	(1,951)
Provision for diminution in the value on investment securities	**(250)**	(21,287)
Provision for amounts due from associates	**(489)**	—
Provision for bad and doubtful debts	**(1,515)**	(11,940)
Provision for diminution in value of inventories	**—**	(1,898)
Provision for diminution in value of properties for sale	**(2,939)**	(3,449)
Unrealised losses for other investment	**(13,200)**	—
Waiver of debts	**—**	201
Write off of properties for sale	**(630)**	—
	(20,875)	(33,670)

Notes to the Accounts

6. OPERATING LOSS

The operating loss is stated after crediting and charging the following and other charges in note 5:—

	2003 *HK$'000*	2002 *HK$'000*
Crediting		
Interest income	—	945
Gross rental income from properties	2,705	3,114
Less: Outgoings	810	1,803
Net rental income from properties	1,895	1,311
Charging		
Auditors' remuneration		
— current year	276	361
— overprovision in prior year	(5)	—
Net exchange losses	29	26
Operating lease rentals in respect of land and buildings	1,422	4,008
Operating lease rentals in respect of plant and machinery	35	305
Staff costs excluding directors' emoluments		
— salaries, bonus, allowances and benefits in kind	5,297	15,043
— payment in lieu of notice and severance payment	848	458
— provision for annual leave	37	(211)
— provision for long service payment	813	—
— retirement benefits scheme contributions	162	441

Notes to the Accounts

7. FINANCE COSTS

	2003	2002
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**582**	587
Interest on other loans	**598**	1,411
Interest on convertible debts	**1,692**	1,157
Finance leases charges	**—**	73
Premium on redemption of preference shares	**11,342**	—
	14,214	3,228

8. TAXATION

	2003	2002
	HK$'000	*HK$'000*
Hong Kong profits tax		
— Over-provision in previous years	**—**	(21)
Overseas taxation	**33**	98
	33	77

No Hong Kong profits tax has been provided in the accounts as the Group has no assessable profit for the year (2002: nil).

Overseas taxation was provided on the profits of the overseas subsidiaries and branches in accordance with the tax laws of the countries in which these subsidiaries and branches operate.

9. LOSS ATTRIBUTABLE TO THE SHAREHOLDERS

Of the Group's loss attributable to the shareholders of HK$57,448,000 (2002: HK$101,153,000, restated for the effect of adopting SSAP 34), a loss of HK21,702,000 (2002: HK$57,156,000, restated for the effect of adopting SSAP 34) has been dealt with in the Company's own accounts.

Notes to the Accounts

10. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year ended 31 March 2003 of HK$57,448,000 (2002: HK$101,153,000, restated for the effect of adopting SSAP 34), and the weighted average number of 342,598,798 ordinary shares (2002: 290,564,541 restated by share consolidation of fifty shares into one share) in issue during the year.

Diluted loss per share for the year ended 31 March 2002 and 2003 are not presented as the effect of any dilution is anti-dilutive.

11. DIVIDEND

The Directors do not recommend payment of any dividend for the year ended 31 March 2003 (2002: nil).

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The aggregate amounts of emoluments payable to Directors during the year are as follows:—

	2003	2002
	HK$'000	*HK$'000*
Fees		
Executive Directors	**—**	—
Non-executive Directors	**—**	—
	—	—
Other emoluments of executive directors:		
Basic salaries, housing allowances, other allowances and benefits in kind	**5,119**	14,734
Retirement scheme contributions	**32**	71
Compensation for loss of office as directors of the Company's subsidiaries — contractual payment	**1,757**	3,168
	6,908	17,973

Notes to the Accounts

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) The number of Directors whose emoluments fell within the following bands is as follows:—

	Number of directors	
	2003	2002
HK$		
Nil — 1,000,000	**9**	5
1,000,001 — 1,500,000	**—**	3
2,000,001 — 2,500,000	**—**	1
2,500,001 — 3,000,000	**1**	—
3,000,001 — 3,500,000	**1**	1
3,500,001 — 4,000,000	**—**	1
4,500,001 — 5,000,000	**—**	1
	11	12

No Directors have waived or agreed to waive any emolument in respect of the years ended 31 March 2003 and 2002.

During the year, apart from above stated, no emoluments have been paid by the Group to the Directors as an inducement to join the Group, or as compensation for loss of office.

(c) The five highest paid individuals during the year included four (2002: five) Directors, details of whose emoluments are set out in notes 12 (a) and 12 (b) above. The remaining individual whose emoluments fell within the band of HK$nil to HK$1,000,000, is as follows:—

	2003	2002
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**546**	—
Retirement scheme contributions	**12**	—
	558	—

Notes to the Accounts

13. FIXED ASSETS

	Group			
	Leasehold improvements	**Furniture and equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
As at 1 April 2002	964	3,694	443	5,101
Additions at cost	296	140	—	436
Disposals/write off	(642)	(2,791)	—	(3,433)
As at 31 March 2003	618	1,043	443	2,104
Aggregate depreciation				
As at 1 April 2002	367	1,519	266	2,152
Charge for the year	172	644	133	949
Eliminated on disposal	(240)	(1,504)	—	(1,744)
As at 31 March 2003	299	659	399	1,357
Net book value				
As at 31 March 2003	319	384	44	747
As at 31 March 2002	597	2,175	177	2,949

	Company
	Office equipment
	HK$'000
Cost	
As at 1 April 2002 and 31 March 2003	581
Aggregate depreciation	
As at 1 April 2002	216
Charge for the year	116
As at 31 March 2003	332
Net book value	
As at 31 March 2003	249
As at 31 March 2002	365

Notes to the Accounts

14. INVESTMENTS IN SUBSIDIARIES

		Company	
		2003	2002
	Note	***HK$'000***	*HK$'000*
Unlisted shares, at cost	*(a)*	**23,706**	23,706
Amounts due from subsidiaries	*(b)*	**875,467**	843,979
Amounts due to subsidiaries	*(b)*	**(4,831)**	(4,378)
		894,342	863,307
Less: Provision		**(855,036)**	(860,839)
		39,306	2,468

Notes:

(a) Particulars of the principal subsidiaries are set out in note 39.

(b) The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed term of repayment.

15. INTERESTS IN ASSOCIATES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Share of net assets	**321**	252	**—**	—
Amounts due to associates *(note b)*	**(960)**	(610)	**(975)**	(852)
	(639)	(358)	**(975)**	(852)

Notes to the Accounts

15. INTERESTS IN ASSOCIATES *(Continued)*

(a) The following is a list of the principal associates at 31 March 2003:

Name of associates	Place of incorporation and operation	Issued and fully paid up capital	Effective interest held	Nature of business
Active Water Technology Company Limited	Hong Kong	Ordinary shares of HK$2,010,000	24%	Exclusive distributor of water purifier
Kinwood Company Limited	Hong Kong	Ordinary shares of HK$33,333	24%	Manufacture and sales of baby shoes
L. A. Resources Limited	Hong Kong	Ordinary shares of HK$10,000,000	24%	Dormant
DMK Project Consultancy Limited	Hong Kong	Ordinary shares of HK$5	20%	Dormant

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

16. INVESTMENT SECURITIES

	Group 2003 HK$'000	Group 2002 HK$'000
Unlisted equity investment, at cost	**129,453**	129,453
Less: provision for impairment loss	**(129,453)**	(129,203)
	—	250

17. PROPERTIES FOR SALE

As at 31 March 2003, properties for sale were carried at net realisable value of HK$29,471,000 (2002: HK$16,284,000).

Notes to the Accounts

18. ACCOUNTS RECEIVABLES

The Group normally grants credit period ranging from 30 days to 90 days to its trade debtors. As at 31 March 2003, the aging analysis of trade receivable was as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
0 — 3 months	**295**	765
4 — 6 months	**369**	123
7 — 9 months	**—**	87
Over 9 months	**88**	990
	752	1,965

19. OTHER INVESTMENT

	Group	
	2003	2002
	HK$'000	*HK$'000*
Unlisted equity investments, at fair value	**—**	—

Pursuant to a sale and purchase agreement entered into between Cybermall Limited, a wholly-owned subsidiary of the Company and Precise Global Investments Limited on 22 July 2002, the Group acquired the entire interest in Sino Top Technology Limited which in turn holds 46.67% equity interest in Shanghai Liantongshihua Mobile Information and Network Co., Ltd., (hereinafter "SLMIN") at a consideration of HK$13,200,000 which was satisfied by issuing 13,200,000 new consolidated ordinary shares at the price of HK$0.50 each and a convertible bond of HK$6,600,000 by the Company. The transaction was completed on 27 January 2003. In the opinion of the Directors, the Group did not have significant influence in SLMIN and the investment had been accounted for as investment securities.

In order to alleviate the Group's liquidity difficulties, the Directors decided to dispose of the investment in SLMIN and, accordingly, reclassified such investment as other investment under current assets. The Group has been seeking interested parties to acquire SLMIN. However, up to the date of this report, no potential buyer was found. Accordingly, it was difficult for the Directors to determine the fair value of the investment and for prudence, the cost of the investment was fully provided for in the accounts.

Notes to the Accounts

20. FIXED DEPOSIT — PLEDGED

In previous years, a fixed deposit of the Company was pledged to a bank as a security for guarantee granted by the bank on behalf of a disposed subsidiary to a leasing company to the extent of USD755,000 (equivalent to HK$5,889,000). As at 31 March 2003, the relevant deposit was fully deducted by the bank.

21. ACCOUNTS PAYABLES

The following is an aging analysis of accounts payables at the balance sheet date:

	Group	
	2003	2002
	HK$'000	*HK$'000*
0 — 3 months	**86**	399
4 — 6 months	**24**	343
7 — 9 months	**23**	309
Over 9 months	**8,949**	8,756
	9,082	9,807

Notes to the Accounts

22. INTEREST-BEARING BORROWINGS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans	**11,417**	6,112	**—**	—
Bank overdraft	**—**	11	**—**	—
Other loans	**8,889**	8,889	**6,300**	6,300
	20,306	15,012	**6,300**	6,300
Analysed as				
— secured *(note)*	**20,306**	15,001	**6,300**	6,300
— unsecured	**—**	11	**—**	—
	20,306	15,012	**6,300**	6,300
Amount repayable:				
Within one year or on demand	**12,973**	11,787	**6,300**	6,300
More than one year but not exceeding two years	**732**	284	**—**	—
More than two years but not exceeding five years	**2,386**	948	**—**	—
Over five years	**4,215**	1,993	**—**	—
	20,306	15,012	**6,300**	6,300
Less: Amount due within one year shown under current liabilities	**(12,973)**	(11,787)	**—**	—
	7,333	3,225	**6,300**	6,300

Note: The bank loans and other loans were secured by properties for sale of the Group and assignment of rental derived from these properties for sale.

Notes to the Accounts

23. CONVERTIBLE DEBTS

	Group and Company	
	2003	2002
	HK$'000	*HK$'000*
Convertible bonds:		
At beginning of year	**19,690**	18,190
Issued during the year	**21,600**	5,500
Redeemed during the year	**(2,000)**	(4,000)
	39,290	19,690
Analysed as		
— current portion	**32,690**	18,190
— long term portion	**6,600**	1,500
	39,290	19,690

Notes to the Accounts

23. CONVERTIBLE DEBTS *(Continued)*

The details of the Company's convertible bonds outstanding as at year end date are set out below:—

Date of issue	21 February 2000	23 March 2000	29 April 2000	29 December 2000	12 September 2001	14 March 2002	30 May 2002	30 July 2002	9 September 2002	27 January 2003
Aggregate principal amount (HK$)	2,640,000	2,850,000	2,700,000	4,000,000	1,500,000	4,000,000	4,000,000	6,000,000	5,000,000	6,600,000
Coupon rate per annum	4%	4%	4%	Prime rate+ 2%	4%	Prime rate+ 2%	Prime rate + 2%	Prime rate + 2%	4%	Prime rate+ 2%
Initial conversion price (HK$)	0.022	0.022	0.022	0.016	0.01	0.01	0.01	0.01	0.01	0.01
Adjusted conversion price (HK$)	0.94	0.94	0.94	0.7519	0.47	0.47	*(Note f)*	*(Note f)*	0.47	*(Note f)*
Conversion period	any time after issue	any time after issue	any time after issue	any time after issue	any time after issue	any time after issue	any time after issue	any time after issue	any time after issue	any time after issue
Collaterals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Maturity date	21 February 2003	23 March 2003	25 January 2003	29 December 2002	12 September 2003	14 March 2004	30 May 2004	30 July 2004	9 September 2005	27 January 2005
Note	(b)	(b)	(b)	(c)	(b)	(d)	(e)	(e)	(b)	(b)

Note:

(a) All the bond holders are entitled to convert all or part of the bond at their respective adjusted conversion prices, subject to limits set out in the respective bond agreements, into ordinary shares which rank pari passu in all respects with the ordinary shares in issue on the relevant conversion dates.

(b) The Company has the right, having given notices to the bond holders, to redeem all or part of the outstanding principal amount of the bonds together with interest accrued to the date of redemption.

(c) The Company has the right, having given notices to each of the bondholders, to redeem all but not part of the respective bonds together with interest accrued to the date of redemption.

Notes to the Accounts

23. CONVERTIBLE DEBTS *(Continued)*

Note: (Continued)

(d) The Company has the right, having given notices to the bond holders, to redeem all or part of the outstanding principal amount of the bonds together with interest accrued to the date of redemption and the bond holders have the right, having given notices to the Company, to require the Company to redeem all or any part (in a minimum amount of HK$100,000 or integral multiple thereof) of the outstanding principal amount of the bonds at any time at the following redemption amount:

(i) if the redemption notice is given to the Company within 12 months from the date of issue of the bonds, the Company may, instead of redeeming the bonds in cash, elect to satisfy the redemption by issue of new ordinary shares as shall be equal to the quotient of the sum of (i) the principal amount of the bonds to be redeemed and (ii) a redemption premium at 100% of such principal amount, divided by the conversion price in effect on the redemption date.

(ii) if the redemption notice is given to the Company after the period of 12 months from the date of issue of the bonds, the Company shall only redeem the bonds in cash.

(e) The Company has the right, having given notices to the bond holders, to redeem all or part of the outstanding principal amount of the bonds together with interest accrued to the date of redemption and the bond holders have the right, having given notices to the Company, to require the Company to redeem all or any part of the outstanding principal amount of the bonds. The Company may, instead of redeeming the bonds in cash, elect to satisfy the redemption by issue of new ordinary shares as shall be equal to the quotient of the sum of (i) the principal amount of the bonds to be redeemed and (ii) a redemption premium at 100% of such principal amount, divided by the conversion price in effect on the redemption date.

(f) The adjusted conversion price will be the lower of (i) HK$0.47 and (ii) 80% of the ten days average closing price per share ending on the trading day immediately preceding the date of conversion, subject to adjustment and provided that no share shall be issued at a discount to their nominal value.

24. DEFERRED TAXATION

As at 31 March 2003, the Group had net deferred tax assets which have not been recognised in the accounts as their realisation is not assured beyond reasonable doubt.

The major components of the deferred tax assets/(liabilities) of the Group and Company not provided for are set out below:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Arising from accelerated depreciation	**(11)**	(222)	**(34)**	(51)
Future benefits of tax losses	**88,773**	84,479	**19,026**	16,617
	(88,762)	84,257	**18,992**	16,566

Notes to the Accounts

25. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised :		
Ordinary shares		
As at 1 April 2002, of HK$0.01 each	**28,500,000,000**	285,000
Capital reorganisation *(note B(ii))*	**(25,650,000,000)**	—
As at 31 March 2003, of HK$0.10 each	**2,850,000,000**	285,000
Convertible preference shares		
As at 1 April 2002, of HK$0.01 each	**1,500,000,000**	15,000
Capital reorganisation *(note B(ii))*	**(1,350,000,000)**	—
As at 31 March 2003, of HK$0.10 each	**150,000,000**	15,000
Total	**3,000,000,000**	300,000
Issued and fully paid:		
Ordinary shares		
As at 1 April 2001	**12,842,539,825**	128,425
Issue of shares	**3,327,153,492**	33,272
As at 31 March 2002 and 1 April 2002	**16,169,693,317**	161,697
Issue of shares *(note B(i))*	**600,000,000**	6,000
Before Capital reorganisation	**16,769,693,317**	167,697
Capital reorganisation *(note B(ii))*	**(16,434,299,451)**	(134,158)
After Capital reorganisation	**335,393,866**	33,539
Issue of consolidated shares *(notes B(iii) and (iv))*	**44,700,000**	4,470
As at 31 March 2003	**380,093,866**	38,009
Convertible preference shares		
As at 1 April 2002	**708,908,975**	7,089
Capital reorganisation *(note B(ii))*	**(694,730,796)**	(5,671)
	14,178,179	1,418
Redeemed during the year	**(14,178,179)**	(1,418)
As at 31 March 2003	**—**	—

Notes to the Accounts

25. SHARE CAPITAL *(Continued)*

Note:

(A) The terms of the convertible preference shares issued on 12 January 2000 are set out in the Company's circular dated 18 December 1999 to its shareholders. The principal terms are as follows:

(i) The convertible preference shareholders are entitled in priority to any distribution in respect of any other class of shares to a fixed cumulative preferential dividend at the rate of 6 per cent per annum on the notional value (the "Notional Value") per preference share. Such dividend shall be paid, if and so far as in the opinion of the directors of the Company has retained earning lawfully available for distribution and there is immediately available to the Company sufficient cash resources for making such distribution after taking into account the Company's then existing and expected liabilities on 31 March in each year and on the mandatory redemption date.

(ii) Each convertible preference shareholder has the right to convert the preference shares into ordinary shares of the Company on a one for one basis, subject to adjustment, at nil conversion price at any time after the date of issue of the preference shares to the end of the three year period.

(iii) The Company has the right to redeem at any time on or after the first anniversary of the date of issue of the preference shares all or any number of the preference shares at a redemption price ranging from 106% to 125% of the Notional Value of each preference share. Upon the mandatory redemption date, which was 12 January 2003 (the third anniversary of the date of issue of the preference shares), the Company had to redeem all the preference shares then in issue at a redemption price of 120% of the Notional Value of each preference share.

All convertible preference shares were mandatorily redeemed and replaced by a debt of approximately HK$13 million.

(B) Details of the changes in the Company's share capital during the year ended 31 March 2003 are as follows:

(i) On 9 September 2002, 600,000,000 new ordinary shares at a price of HK$0.01 each were issued to satisfy part of the consideration pursuant to the sale and purchase agreement entered into between the Company (as warrantor), Onelink Investment Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and SIIC Finance Company Limited ("the Vendor") on 28 May 2002. The issue price was based on either the par value of a share or the average closing price of a share for the preceding twenty trading days prior to the date of the special general meeting which was held on 12 August 2002, whichever was higher. Pursuant to the agreement, the Vendor agreed to sell and the Purchaser agreed to purchase certain properties for a total consideration of HK$15,000,000. The remaining consideration of HK$9,000,000 was satisfied by the issue of a convertible bond of HK$5,000,000 by the Company and payment of HK$4,000,000 in cash by the Group.

Notes to the Accounts

25. SHARE CAPITAL *(Continued)*

Note: (Continued)

(ii) On 27 November 2002, the capital reorganisation (the "Capital Reorganisation") was approved in the special general meeting by the Company's shareholders. The Capital Reorganisation comprised the following :

(a) a share consolidation pursuant to which every fifty ordinary shares of HK$0.01 each were consolidated into one ordinary share of HK$0.50 each in the capital of the Company (the "Consolidated Ordinary Share") and every fifty preference shares of HK$0.01 each is consolidated into one preference shares of HK$0.50 each (the "Consolidated Preference Share");

(b) a capital reduction of approximately HK$140 million under which the nominal value of each of the issued Consolidated Ordinary Shares and the issued Consolidated Preference Shares was reduced from HK$0.50 to HK$0.10 by cancelling HK$0.40 of the paid up capital on each issued Consolidated Ordinary Share and issued Consolidated Preference Share (the "Capital Reduction");

(c) a share premium reduction pursuant to which an amount of approximately HK$757 million standing to the credit of the share premium account of the Company as at 31 March 2002 was reduced (the "Share Premium Reduction");

(d) a share subdivision under which every Consolidated Ordinary Share of HK$0.50 each and Consolidated Preference Share of HK$0.50 each in the authorised but unissued share capital was respectively redesignated and subdivided into five Consolidated Ordinary Shares of HK$0.10 each and five Consolidated Preference Shares of HK$0.10 each; and

(e) the credit arising from the Capital Reduction and Share Premium Reduction in the amount of approximately HK$897 million was transferred to the contributed surplus account of the Company and the directors were authorised to apply such amount in setting off against part of the accumulated losses of the Company as at 31 March 2002.

(iii) On 4 December 2002, 31,500,000 new Consolidated Ordinary Shares were issued to Mr. Zhang Xiao Feng ("Mr. Zhang") pursuant to a subscription agreement entered into between the Company and Mr. Zhang at a price of HK$0.15 per share. The issue price represented a discount of 70% to the theoretical market price of Consolidated Ordinary Shares upon the Capital Reorganisation becoming effective based on the average closing price of HK$0.01 per ordinary shares as quoted on the Stock Exchange from 23 August 2002 to 5 September 2002, the date immediately prior to the suspension of trading in the ordinary shares. The proceeds of HK$4.7 million were used by the Group for general working capital purpose.

Notes to the Accounts

25. SHARE CAPITAL *(Continued)*

Note: (Continued)

(iv) On 27 January 2003, 13,200,000 new Consolidated Ordinary Shares at a price of HK$0.50 each were issued to satisfy part of the consideration pursuant to the sale and purchase agreement entered into between Cybermall Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and Precise Global Investments Limited ("the Vendor") on 22 July 2002. The issue price represented the 10-day average closing price per share, as restated by share consolidation of fifty shares into one share, over the ten trading day period ended on and including 22 July 2002, being the last trading day prior to the issuance of the respective announcement. Details of the transaction are set out in note 19 to the accounts.

Notes to the Accounts

26. SHARE OPTION SCHEME

Old Scheme:

Pursuant to the share option scheme (the "Old Scheme") adopted on 13 August 1998, the Directors might grant options to any employee, including Directors, of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. The Old Scheme expired on 13 August 2001 and no further options could be granted afterwards. Details of the options granted under the Old Scheme and outstanding at the year end date are as follows:

				Number of ordinary shares to be issued upon exercise of the share options		
Date of grant	**Exercise period**	**Exercise price (original)**	**Exercise price (adjusted)** *(Note 2)*	**Balance as at 1 April 2002 (adjusted)** *(Note 2)*	**Lapsed/ expired during the year (adjusted)** *(Note 2)*	**Balance as at 31 March 2003**
		HK$	*HK$*			
21 January 2000	22 April 2000 to 20 January 2003	0.188	9.40	1,736,000	(1,736,000)	—
27 April 2000	28 July 2000 to 26 April 2003	0.054	2.70	2,640,000	(1,640,000)	1,000,000
3 May 2000	4 August 2000 to 2 May 2003	0.058	2.90	40,000	(40,000)	—
5 June 2000	6 September 2000 to 4 June 2003	0.046	2.30	9,440,000	(4,040,000)	5,400,000
17 August 2000	18 November 2000 to 16 August 2003	0.031	1.55	520,000	(400,000)	120,000
8 June 2001	9 September 2001 to 7 June 2004	0.010	0.50	7,000,000	(3,600,000)	3,400,000
				21,376,000	(11,456,000)	9,920,000

Notes to the Accounts

26. SHARE OPTION SCHEME *(Continued)*

Note:

(1) No options were exercised during the year.

(2) The exercise price and the number of option outstanding as at 1 April 2002 has been adjusted in accordance with the Capital Reorganisation as stated under the item (B) (ii) of the heading "Share Capital".

New Scheme

A new share option scheme (the "New Scheme") of the Company has been approved and adopted on 12 August 2002. The New Scheme is valid and effective for a period of ten years from the date of adoption.

Under the terms of the New Scheme, the Board of Directors of the Company (the "Board") may, at their discretion, invite any Director and employee of the Company and/or any of its subsidiaries, for the purpose of providing incentives, to take up options at HK$1 per option to subscribe for shares in the Company.

The maximum number of the shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the New Scheme or the date of approval by the shareholders in general meeting where the limit is refreshed. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the date of expiry of the option as may be determined by the Directors which shall expire not later than 10 years from the date of grant. The exercise price per share is determined by the Directors, and will not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant, (ii) the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share on the date of grant.

No options have been granted or agreed to be granted by the Company under the New Scheme since its adoption.

Notes to the Accounts

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 27 of the accounts.

	Company				
	Share premium account	**Contributed surplus**	**Capital reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2001					
— as previously reported	756,610	20,093	11,746	(944,301)	(155,852)
Effect on adopting SSAP 34	—	—	—	(478)	(478)
— as restated	756,610	20,093	11,746	(944,779)	(156,330)
Premium arising from issuing new shares, net of expenses	600	—	—	—	600
Loss for the year	—	—	—	(57,156)	(57,156)
As at 31 March 2002 and 1 April 2002	757,210	20,093	11,746	(1,001,935)	(212,886)
As at 1 April 2002					
— as previously reported	757,210	20,093	11,746	(1,001,678)	(212,629)
Effect on adopting SSAP 34	—	—	—	(257)	(257)
— as restated	757,210	20,093	11,746	(1,001,935)	(212,886)
Capital reduction	139,829	—	—	—	139,829
Expenses for capital reorganisaton	(438)	—	—	—	(438)
Premium arising from issuing new shares, net of expenses	6,285	—	—	—	6,285
Share premium reduction	(896,601)	896,601	—	—	—
Elimination of accumulated losses	—	(896,601)	—	896,601	—
Loss for the year	—	—	—	(21,702)	(21,702)
As at 31 March 2003	6,285	20,093	11,746	(127,036)	(88,912)

Notes to the Accounts

27. RESERVES *(Continued)*

Note:

(a) The contributed surplus of the Company represents the excess of the net assets value of the subsidiaries acquired over the nominal value of the Company's shares issued for their acquisition. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

Under the Companies Act 1981 Bermuda (as amended), 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:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, as at 31 March 2003, the Company did not have any reserve available for distribution to shareholders.

(b) Consolidated loss for the year attributable to shareholders is retained by:

	2003	2002
	HK$'000	*HK$'000*
— The Company and its subsidiaries	**(57,511)**	(101,206)
— Associates	**63**	53
	(57,448)	(101,153)

Notes to the Accounts

28. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH USED IN OPERATING ACTIVITIES

	2003	2002
	HK$'000	*HK$'000*
Loss before taxation	**(57,415)**	(95,640)
Adjustments for:		
Depreciation	**949**	1,591
Loss on disposal and write off of fixed assets	**1,672**	1,951
Waiver of debts	**—**	(201)
Write off of properties for sale	**630**	—
Provision for amounts due from associates	**489**	—
Provision for diminution in value of properties for sale	**2,939**	3,449
Provision for diminution in value of inventories	**—**	1,898
Provision for diminution in value of investment securities	**250**	21,287
Unrealised losses for other investment	**13,200**	—
Premium on redemption of preference shares	**11,342**	—
Impairment loss of fixed assets	**—**	125
Gain on disposal of subsidiaries	**—**	(6,779)
Share of profit of associates	**(63)**	(53)
Interest paid	**2,872**	3,228
Interest income	**—**	(945)
Operating loss before working capital changes	**(23,135)**	(70,089)
(Increase)/decrease in properties for sale	**(4,831)**	18,800
Decrease in inventories	**119**	263
Decrease in accounts receivable, prepayment, deposit and other receivable	**2,691**	18,209
Increase in accounts payable and accruals, amounts due to related companies and directors	**10,479**	28,623
Cash used in operations	**(14,677)**	(4,194)
Hong Kong profits tax paid	**—**	(164)
Hong Kong profits tax refund	**—**	25
Overseas tax paid	**(33)**	(98)
Net cash used in operating activities	**(14,710)**	(4,431)

Notes to the Accounts

29. MAJOR NON-CASH TRANSACTIONS

Save as those disclosed under the heading "Share Capital" in note 25, there were no major non-cash transactions during the year.

30. PLEDGE OF ASSETS

(a) As at balance sheet date, the following assets of the Group were pledged to secure bank and other loans granted to the Group:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Properties for sales, carrying value	**41,471**	28,914

(b) As at 31 March 2002, a fixed deposit amounting to HK$480,000 was pledged to a bank as a security for guarantee granted by the bank on behalf of a disposed subsidiary to a leasing company.

31. COMMITMENTS

(i) Capital commitments

On 25 July 2002, AWT Cyber Investment Group Limited ("AWT Cyber"), a wholly-owned subsidiary of the Company, entered into a subscription agreement (the "Agreement") with iShowFlat Limited ("ISF"). Pursuant to the Agreement, AWT Cyber agreed to subscribe 2,300,000 ordinary shares of HK$1.00 each in ISF, representing approximately 53.03% of the enlarged issued share capital of ISF, at a consideration of HK$2,300,000 payable in cash. As at 31 March 2003, total deposits of HK$500,000 were paid to ISF. Pursuant to the two supplemental agreements signed between AWT Cyber and ISF on 16 December 2002 and 31 March 2003, the Agreement has been further extended to 31 December 2003.

Notes to the Accounts

31. COMMITMENTS *(Continued)*

(ii) Operating lease commitment

(a) The Group as lessee

As at the balance sheet date, the Group had commitment for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Within one year	**439**	1,306
In the second to fifth years, inclusive	**—**	2,016
	439	3,322

The operating lease payments represent rentals payable by the Group for its office premises and warehouse in Hong Kong. Leases are negotiated and rentals are fixed for an average of one to three years.

(b) The Group as lessor

As at the balance sheet date, the Group had minimum lease receipts which represent rentals receivable by the Group for its properties for sales under non-cancellable operating leases which fall due as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Within one year	**1,194**	1,296
In the second to fifth years, inclusive	**108**	34
	1,302	1,330

Notes to the Accounts

32. RELATED PARTY TRANSACTIONS

Save as disclosed under "Connected Transaction" in the Report of the Directors, during the year, the Group entered into the following transactions with related parties in the ordinary course of business :—

	Note	**2003** **HK$'000**	2002 *HK$'000*
THL Management Company Limited	*(a)*		
Rental income from		**—**	120
Car rental expenses payable to		**—**	92
Finnex Development Limited	*(b)*		
Car rental expenses payable to		**—**	124
Active Water Technology Company Limited	*(d)*		
Logistics service income from		**—**	1
Kinwood Company Limited	*(d)*		
Logistics service income from		**—**	32
DMK Project Consultancy Limited	*(d)*		
Consultancy fee payable to		**—**	1,200
Prosper Sea (Shanghai) Real Estate Company Limited	*(c)*		
Rental income receivable		**40**	—
Kingsway SW Asset Management Limited	*(e)*		
Consultancy fee payable to		**950**	—
Bill Lam & Associates Limited	*(e)*		
Consultancy fee payable to		**600**	—
Hercules Capital Limited	*(f)*		
Professional fee payable to		**310**	—

Notes:

(a) The company in which Mr. Leung Tze Hang, David, the Managing Director of the Company, has a beneficial interest.

(b) The company in which Mr. Chan Sing Fai, the former chairman of the Company, has a beneficial interest.

(c) The company in which Mr. Leung Tze Hang, David, the Managing Director of the Company and Mr. Law Chuen Lam, Edward, the executive director of the Company, are directors.

Notes to the Accounts

32. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Associates of the Company

(e) The company in which Mr. Choi Koon Ming, the non-executive director, is the director of SW Kingsway Capital Holdings Limited, the holding company of the company.

(f) The company in which Mr. Koo Fook Sun, Louis, the former executive director of the Company, has a beneficial interest.

Except for the transactions disclosed above, the Directors confirmed that there are no other related party transactions entered into by the Group for the year ended 31 March 2003.

33. CONTINGENT LIABILITIES

(a) The Company has provided corporate guarantees to certain bankers and creditors to secure general finance facilities granted to its subsidiaries. Such facilities utilised by the subsidiaries as at 31 March 2003 amounted to approximately HK$10,642,000 (2002: HK$8,701,000) and the related liabilities have been fully recorded in the consolidated balance sheet.

(b) In previous years, the Inland Revenue Department (the "IRD") has raised enquiries on the tax deductibility of certain expenses paid to Tran-Starting Inc., a former wholly-owned subsidiary of the Company, by AWT World Transport (Far East) Limited ("AWT Far East"), a wholly-owned subsidiary of the Company. On 7 March 2002, the IRD issued an assessment for 1995/96 to AWT Far East to disallow such expenses. AWT Far East has lodged objections against this assessment. Up to the report date, no final conclusion has been reached with the IRD in respect of the assessment. No provision is made in the accounts. Should the IRD disallow the expenses, an additional tax provision of approximately HK$983,000 would have to be made.

34. LITIGATION

As set out in note 1 to the accounts, the Group encountered financial difficulties and was unable to meet in full its financial obligations during the year. Consequently, the Group had been served with writs from three of its convertible bondholders, a finance company and other sundry creditors for the amounts due by the Group. Details of the litigations are as follows :

(1) On 28 September 2002, the Stock Exchange issued a writ against the Company, for the outstanding annual listing fee of approximately HK$1,800,000 together with interest and cost. Judgment was made against the Company on 2 December 2002. Full provision for the outstanding fee had been made in the accounts.

Notes to the Accounts

34. LITIGATION *(Continued)*

(2) On 21 March 2003, Merchant Partners Limited ("Merchant Partners") issued a writ against the Company for alleged failure to pay the sum of HK$3,108,051.38, being the principal amount of HK$3,000,000 and outstanding interest thereon of HK$108,051.38 for the period from 30 July 2002 to 31 January 2003, under a convertible bond issued by the Company to Merchant Partners on 30 July 2002 ("Merchant Partners Bond"). On 10 October 2003, Merchant Partners issued another writ against the Company for alleged failure to pay the sum of HK$3,250,037.69, being the same principal amount of HK$3,000,000 under Merchant Partners Bond and outstanding interest thereon of HK$250,037.69 for the period from 30 July 2002 to 10 October 2003. The relevant principal and interests up to 31 March 2003 of Merchant Partners Bond had been recorded in the accounts.

(3) On 21 March 2003, China Units Enterprises Limited ("China Units") issued a writ against the Company for alleged failure to pay the sum of HK$3,053,003.42, being the principal amount of HK$3,000,000 and outstanding interest thereon of HK$53,003.42 for the period from 1 November 2002 to 31 January 2003, under a convertible bond issued by the Company to China Units on 30 July 2002 ("China Units Bond"). On 10 October 2003, China Units issued another writ against the Company for alleged failure to pay the sum of HK$3,197,989.74, being the same principal amount of HK$3,000,000 under China Units Bond and outstanding interest thereon of HK$197,989.74 for the period from 1 November 2002 to 10 October 2003. The relevant principal and interests up to 31 March 2003 of China Units Bond had been recorded in the accounts.

(4) On 16 May 2003, Guardian Property Management Limited issued a writ against Hyper Motion Investments Limited ("Hyper Motion"), a wholly-owned subsidiary of the Company, for alleged failure to pay (a) HK$531,335.90 being outstanding management fees and building fund together with interest thereon up to March 2003 in respect of the property owned by Hyper Motion and (b) the current management fees and building fund in the sum of HK$31,333 from April 2003 up to the date of payment together with interest thereon. After the issuance of the writ, the current management fees and building fund have been reduced to HK$22,982 per month with effect from June 2003. Provision of management fees and building fund up to 31 March 2003 had been made in the accounts.

(5) On 30 June 2003, SIIC Finance (Nominee) Company Limited ("SIIC Finance") issued a writ against the Company for alleged failure to pay the sum of approximately HK$5 million, being the principal amount of HK$5,000,000 and outstanding interest thereon commencing from 10 December 2002, under a convertible bond issued by the Company to SIIC Finance on 9 September 2002 ("SIIC Bond"). The relevant principal and interests up to 31 March 2003 of SIIC Bond had been recorded in the accounts.

Notes to the Accounts

34. LITIGATION *(Continued)*

(6) On 8 October 2003, GE Capital (Hong Kong) Limited issued a writ against Lucky Regent International Limited, a wholly-owned subsidiary of the Company, for an outstanding loan amount of approximately HK$3,528,000 together with interests and legal costs.

(7) At the report date, certain landlords issued writs and some also obtained judgments against the Group to claim for the damages due to the early termination of tenancy agreements and the outstanding rental and management fee in arrears for a total amount of approximately HK$4,304,000. Full provisions for these claims had been made in the accounts.

(8) Certain employees of the Group have obtained Labour Tribunal's orders against the Group for outstanding salaries and compensations due to them. At the report date, the outstanding amount under Labour Tribunal's order was approximately HK$871,000. Adequate provision with respect to these outstanding salaries had been made in the accounts.

(9) At the report date, other sundry creditors issued writs and some also obtained judgments against the Group for total outstanding debts of HK$1,387,000 in respect of miscellaneous services rendered. Full provisions had been made in the accounts.

35. POST BALANCE SHEET DATE EVENTS

The following events were occurred subsequent to the balance sheet date :

(1) On 10 June 2003, the Company entered into a subscription agreement with a potential investor (the "Subscriber") for the subscription of shares of the Company. The subscription agreement was further amended by supplemental agreements signed on 27 August 2003, 30 September 2003 and 19 December 2003 respectively (the "Subscription Agreement"). The Subscription Agreement includes the subscription of the Company's ordinary shares by the Subscriber, the issue of bonus shares by the Company to the Subscriber and granting of an option to the Subscriber for further subscription of ordinary shares of the Company. The Subscription is conditional upon, among other things, the approval of the shareholders of the Company. Details of the Subscription Agreement and the Subscriber are pending to be announced upon clearance from the Stock Exchange.

Notes to the Accounts

35. POST BALANCE SHEET DATE EVENTS *(Continued)*

(2) On 23 September 2003, a total of 66,000,000 ordinary shares of HK$0.10 each were issued to Precise Global Investments Limited, a convertible bondholder upon the full conversion of the convertible bond with the principal amount of HK$6,600,000 at a conversion price of HK$0.10 each.

(3) On 22 October 2003, AWT Investment Company Limited, a wholly-owned subsidiary of the Company, sold certain properties for sale at an aggregate consideration of HK$4,700,000 (the "Disposal"). The Disposal constitutes a major transaction of the Company for the purpose of the Listing Rules and the approval of the shareholders of the Company was obtained on 21 October 2003. The proceeds were used to settle the outstanding mortgage loan of the properties and the balance was used as general working capital of the Group.

(4) On 16 December 2003, Onelink Investment Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent party for the sales of certain properties for sale at an aggregate consideration of HK$12,800,000 (the "Disposal"). The Disposal constitutes a major transaction of the Company for the purpose of the Listing Rules and is subject to the approval of the shareholders of the Company. The Disposal is expected to complete on or before 31 March 2004. The proceeds will be used to repay the outstanding mortgage loan of the properties and part of the outstanding indebtedness of the Group while the balance will be used as the general working capital of the Group.

36. CHANGE OF COMPANY NAME IN CHINESE

Pursuant to a special resolution passed on 27 Novemebr 2002, the Company adopted "上海華搏控股有限公司" as the new Chinese name of the Company for identification purpose. The new Chinese name became effective on 27 January 2003.

37. COMPARATIVE FIGURES

Due to the adoption of new/revised SSAPs during the current year, the presentation of accounts and certain notes to accounts have been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform with current year's presentation.

38. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 22 December 2003.

Notes to the Accounts

39. SUBSIDIARIES

The following is a list of the principal subsidiaries of the Company as at 31 March 2003:

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid up capital	Effective interest held by the Company	Nature of business
Shares held directly:				
AWT Cyber Investment Group Limited	British Virgin Islands	US$1	100	Investment holding
AWT Data Management Group Limited	British Virgin Islands	US$1	100	Investment holding
AWT Investment Group Limited	British Virgin Islands	US$1	100	Investment holding
AWT Logistics Group Limited	British Virgin Islands	US$1	100	Investment holding
AWT Realty Group Limited	British Virgin Islands	US$1	100	Investment holding
AWT World Transport Group Limited	British Virgin Islands	HK$2,000	100	Investment holding
Shares held indirectly:				
Asia Million Development Limited	Hong Kong	HK$2	100	Property investment
AWT Investment Company Limited	Hong Kong	HK$2	100	Property investment
AWT Ocean Transport Limited	Hong Kong	HK$200,000	100	Freight forwarding
AWT Realty Limited	Hong Kong	HK$2	100	Investment holding

Notes to the Accounts

39. SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid up capital	Effective interest held by the Company	Nature of business
AWT World Transport (Far East) Limited	Hong Kong	HK$200 ordinary HK$1,000,000 non-voting deferred HK$200,000 redeemable preferred	100	Freight forwarding
AWT World Transport (North America) Limited	British Virgin Islands	US$1	100	Investment holding
* AWT World Transport (Thailand) Limited	Thailand	Baht10,000,000	100	Dormant
AWT World Transport (USA) Limited	British Virgin Islands	US$1	100	Investment holding
Bright Ace International Development Limited	Hong Kong	HK$2	100	Provision of secretarial services
# Chain Supplies Limited	Hong Kong	HK$1,000	36	Sales of curtain and fabrics
Cybermall Limited	Hong Kong	HK$2	100	Investment holding
Financial Gain Incorporated	British Virgin Islands	US$1	100	Investment holding
Hing Tung Limited	Hong Kong	HK$2	100	Property investment
Hyper Motion Investments Limited	British Virgin Islands	US$1	100	Property investment

Notes to the Accounts

39. SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid up capital	Effective interest held by the Company	Nature of business
Integrated Approach Limited	British Virgin Islands	US$1	100	Investment holding
Konmore Limited	Hong Kong	HK$100,000	100	Holding of vehicles
Lucky Regent International Limited	Hong Kong	HK$2	100	Property investment
Magic World Limited	Hong Kong	HK$2	100	Letting and sub-letting
Onelink Investment Limited	Hong Kong	HK$2	100	Property investment
Sino Top Technology Limited	British Virgin Islands	US$1	100	Investment holding
Total Logistics Services Limited	Hong Kong	HK$10,012,000	60	Investment holding and provision of logistics services
Urban Logistics Limited	Hong Kong	HK$10,000	60	Provision of logistics services
Waterbeach Limited	British Virgin Islands	US$1	100	Investment holding
401 (China) Limited	Hong Kong	HK$2	100	Property management and property agency
401 Insurance Agency Limited	Hong Kong	HK$2	100	Insurance agency

Notes to the Accounts

39. SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid up capital	Effective interest held by the Company	Nature of business
401 Realty Limited	Hong Kong	HK$2	100	Property agency
401 Total Property Services Group Limited	British Virgin Islands	US$1	100	Investment holding

\# Chain Supplies Limited is 60% owned by Total Logistics Services Limited, a 60% owned subsidiary of the Company.

* Subsidiaries not audited by Graham H.Y. Chan & Co. The total net liabilities of those subsidiaries amounted to approximately HK$1,067,000.

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