



# Polytec Asset Holdings Limited

(Incorporated in the Cayman Islands with limited liability)



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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Yeung Kwok Kwong (*Chairman*)

Wong Yuk Ching

#### Non-Executive Directors

Lai Ka Fai

Anthony Francis Martin Conway<sup>#</sup>

Siu Leung Yau<sup>#</sup>

Liu Kwong Sang<sup>#</sup>

<sup>#</sup> *independent non-executive Directors*

### COMPANY SECRETARY

Lau Sui Cheung

### AUTHORISED REPRESENTATIVES

Yeung Kwok Kwong

Lai Ka Fai

### AUDITORS

Ernst & Young

### REGISTERED OFFICE

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

Cayman Islands

British West Indies

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23/F, Pioneer Centre

750 Nathan Road

Kowloon

Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Harbour Trust Co., Ltd.

P.O. Box 1787

Grand Cayman

Cayman Islands

British West Indies

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited

G/F, BEA Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

## Financial and Operation Highlights

(All amounts are expressed in HK\$'000 unless otherwise stated and except for financial ratios)

	<b>2003</b> <b>HK\$'000</b>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
<b>Operating results</b>					
Turnover	<b>17,672</b>	24,994	7,108	17,375	325,521
Increase/(decrease) (%)	<b>(29)</b>	251	(59)	(95)	(19)
Net profit/(loss) from ordinary activities attributable to shareholders	<b>15,590</b>	19,625	(8,767)	(155,792)	(299,245)
Decrease (%)	<b>21</b>	N/A	N/A	N/A	N/A
<b>Financial position</b>					
Shareholders' fund/(deficiency in assets)	<b>51,183</b>	34,585	14,960	(153,189)	(83,921)
Total assets	<b>52,795</b>	62,918	86,102	25,941	78,096
Net assets/(liabilities) value per ordinary share (HK cents)	<b>0.86</b>	0.58	0.25	(16)	(14)
<b>Financial statistics</b>					
Current ratio	<b>29.97</b>	1.85	1.02	0.02	0.07
Bank borrowings to equity ratio	<b>0</b>	0.27	0.73	N/A	N/A
Total debts to equity ratio	<b>0</b>	0.32	0.84	N/A	N/A
Return on equity (%)	<b>30.5</b>	56.7	(58.6)	N/A	N/A
Basic earnings/(loss) per share (HK cents)	<b>0.3</b>	0.3	(0.4)	(18.5)	(59.1)

## Chairman's Statement

Year 2003 was started with challenges followed by resilient recovery locally and globally. In the first half of the Year 2003, the bleak Hong Kong's economy was further worsened by the rampant spread of SARS in Hong Kong and Mainland China. However, the Hong Kong's economy reached its bottom and promptly recovered after the Chinese government has taken certain positive measures including CEPA and the free travel scheme started in a number of China provinces. On a macro basis, the global economy has also been gradually improving after the war between the United States and Iraq in the second half of the Year 2003. Despite the varying factors, the Group has consecutively recorded a profit for the Year 2003.

In the year ended 30 November 2003, the Group reported a profit of approximately HK\$15,590,000 due mainly to the gain from the sale of subsidiaries as part of the Group's business restructuring process and profit in securities investment and trading business which has now been developed to become one of the main lines of the Group's business. In addition, the Group has also participated in a joint venture project in developing villa type houses in Kau To Shan which is one of the prime location in Hong Kong for deluxe low rise residences. In view of the current positive conditions in and the anticipated prosperous future of the local property market, the management has decided to actively participate in this kind of project of development of villa type houses and make it as one of the Group's principal business activities so as to strengthen the Group's earning potential. With a satisfactory result achieved in 2003, total shareholders' equity of the Company further improved by 48% to HK\$51,183,000 up to 30 November 2003 as compared with the corresponding last year end.

The Company held an extraordinary general meeting shortly after the year end to approve the capital reorganisation and the change in the company name to Polytec Asset Holdings Limited. The objectives of the relevant resolutions passed in the extraordinary general meeting are to facilitate future distribution of dividends on earnings and to reflect that a new group with clear direction, vision and strategies has been developed.

Consistent with prior years, the management continues its aggressive but prudent approach in diversifying and conducting its business and is considering various business opportunities for the strengthening of the earning bases of the Group.

Finally, I would like to take this opportunity to express my thanks and gratitude to our staff and management team for their hard work and dedication over the past year.

**Yeung Kwok Kwong**  
*Chairman*

Hong Kong, 22 March 2004

# Management Discussion and Analysis

## BUSINESS REVIEW AND SEGMENT ANALYSIS

For the year ended 30 November 2003, turnover of the Group totalled approximately HK\$17,672,000. Since our securities investment and trading business which commenced in last year has now become significant and represents one of the Group's main lines of business, turnover for the year has included amount of proceeds from the sale of trading business and corresponding comparative figure for the last year has also been restated. With the exceptional gain of approximately HK\$18,397,000 derived from the sale of subsidiaries, representing part of the Group's business restructuring process, the Group reported a net profit of approximately HK\$15,590,000 for the year.

### Garment

Turnover for the year from garment sales continued to decrease to approximately HK\$475,000 with a gross profit contribution of approximately HK\$38,000. The low level of garment activities reflects the fact that the Group has still experienced very keen competition in the tough garment business and therefore the management has adopted a cautious and prudent approach in evaluating and activating the garment business and instead has placed more emphasis in business diversification.

### Securities investment and trading

Turnover for the year from securities investment and trading segment amounted to approximately HK\$17,197,000 with a gross profit contribution of approximately HK\$468,000. Consistent with the prudent approach, the Group principally invested in blue-chip shares. This enables the Group to maximize its return from the booming stock market during the year in a safe manner.

### Property development

The Group has held an equity interest in a joint development of villa type houses in Kau To Shan, Shatin. The foundation work of the project has been completed and construction work is expected to be completed in the third quarter of this year. It is anticipated that property sale revenue will be generated and recorded in fiscal 2004.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

In the year under review, the Group's liquidity and financial resources positions were healthy. As at 30 November 2003, the Group had no external borrowings but held an aggregate cash and bank balances of approximately HK\$22,602,000 and marketable securities of approximately HK\$24,865,000. Apart from certain short term financing entered into during the year for the securities trading, the Group generally financed its business development by means of internal resources.

## PLEDGE OF ASSETS

As at 30 November 2003, certain assets of the Group amounting to approximately HK\$3,861,000 were pledged to secure credit facilities granted to the Group.

# Management Discussion and Analysis

## EMPLOYEES

As at 30 November 2003, the total number of employees of the Group was about 15. The Group remunerates its employees by means of salary and bonus based on their performance, working experience, degree of hardship and prevailing market practice.

## CONTINGENT LIABILITIES

The Group has executed a corporate guarantee up to an extent of HK\$4,800,000 to secure banking facilities granted to a jointly-controlled entity of the Group. As at 30 November 2003, none of these banking facilities were utilised.

## PROSPECTS

The management undertakes to continue to look for new investments with good return and will continue to diversify its investments by not constraining itself solely to the garment sector with the Group's development in various business segments of good potential in the coming year in order to bring in additional returns to our shareholders. In particular, with the current positive conditions in the property market, the management plans to allocate additional resources to the existing property development business of villa type houses.

## Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 30 November 2003.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### CHANGE OF COMPANY NAME

The name of the Company was changed from "Kin Don Holdings Limited" to "Polytec Asset Holdings Limited 保利達資產控股有限公司" pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 9 January 2004, which took effect upon the approval of the Registrar of Companies in the Cayman Islands granted on 21 January 2004.

### RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 November 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 16 to 50.

The directors do not recommend the payment of any dividend in respect of the year.

### SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results, and assets, liabilities and minority interests of the Group for the last five years, as extracted from the published audited financial statements and reclassified as appropriate.

	Year ended 30 November				
	2003 HK\$'000	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000	1999 HK\$'000
Turnover	17,672	24,994*	7,108*	17,375	325,521
Loss from operating activities	(445)	(12,065)	(21,057)	(91,556)	(292,363)
Finance costs	(2,362)	(2,131)	(12,249)	(20,623)	(9,324)
Gain on disposal of subsidiaries	18,397	33,658	252	–	–
Gain on a debt restructuring	–	–	18,114	–	–
Share of results of jointly-controlled entities	–	–	–	(44,690)	–
Profit/(loss) before tax	15,590	19,462	(14,940)	(156,869)	(301,687)
Tax	–	–	–	38	683
Profit/(loss) before minority interests	15,590	19,462	(14,940)	(156,831)	(301,004)
Minority interests	–	163	6,173	1,039	1,759
Net profit/(loss) from ordinary activities attributable to shareholders	15,590	19,625	(8,767)	(155,792)	(299,245)



# Report of the Directors

## SUMMARY FINANCIAL INFORMATION (Cont'd)

\* Proceeds from the sale of trading securities were included as part of the Group's turnover in current year since the management of the Group anticipates that the securities investment and trading businesses will be continued in the future as part of the principal activities of the Group. The comparative amounts have been restated to conform with the current year's presentation.

		30 November			
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Total assets	52,795	62,918	86,102	25,941	78,096
Total liabilities	(1,612)	(28,333)	(70,979)	(172,794)	(153,446)
Minority interests	–	–	(163)	(6,336)	(8,571)
Net assets/(liabilities)	51,183	34,585	14,960	(153,189)	(83,921)

## MAJOR CUSTOMERS AND SUPPLIERS

For the garment trading business, the Group sourced its supplies through one supplier and made its sales to one customer during the year. Due to the nature of the other businesses, no further major customers and suppliers were identified.

None of the directors of the Company or any of their associates or any shareholders (which to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's customer and supplier during the year.

## FIXED ASSETS

Details of the movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

## SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

## RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 23 to the financial statements and in the consolidated statement of changes in equity, respectively.

# Report of the Directors

## DISTRIBUTABLE RESERVES

As at 30 November 2003, the Company had no reserves available for cash distribution and/or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands. However, the capital reserve and share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 30 November 2003, the Company's capital reserve and share premium account amounted to approximately HK\$182,607,000 in aggregate.

## DIRECTORS

The directors of the Company during the year were:

### Executive directors

Mr. Yeung Kwok Kwong (*Chairman*)

Ms. Wong Yuk Ching

Mr. Zhou Ge

### Non-executive director

Mr. Lai Ka Fai

### Independent non-executive directors

Mr. Anthony Francis Martin Conway

Mr. Siu Leung Yau

Mr. Liu Kwong Sang

On 15 March 2004, Mr. Zhou Ge resigned as a director of the Company.

In accordance with articles 108(A) and (B) and 112 of the Company's articles of association, Mr. Lai Ka Fai and Mr. Liu Kwong Sang will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the non-executive director and independent non-executive directors, but excluding the Chairman, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

## DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 November 2003, the interests and short positions of the directors and chief executive in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### Long positions in ordinary shares of the Company

Name of director	Capacity and nature of interests	Number of shares held	Percentage of the Company's issued share capital
Mr. Yeung Kwok Kwong	Directly beneficially owned	6,000,000	0.10
Mr. Zhou Ge	Directly beneficially owned	5,000,000	0.08

In addition to the above, Mr. Yeung Kwok Kwong has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### SHARE OPTION SCHEME

Due to the adoption of Hong Kong Statement Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option schemes have been moved to note 22 to the financial statements.

## Report of the Directors

### DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 November 2003, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
<i>Ordinary shares</i>			
Marble King International Limited	Directly beneficially owned	3,338,460,250 (Note)	56.1
Mr. Or Wai Sheun	Through a controlled corporation	3,338,460,250 (Note)	56.1

Note: Marble King International Limited, a company incorporated in the British Virgin Islands, is beneficially owned by Mr. Or Wai Sheun.

In addition, Marble King International Limited held the entire 4,000,000,000 convertible preference shares in the Company, issued partly paid as to 10% of the subscription price of HK\$0.02 per share as at 30 November 2003.

Save as disclosed above, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

#### Executive directors

Mr. Yeung Kwok Kwong, aged 45, joined the Company in September 2000 as the Chairman and managing director of the Company. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 20 years of experience in finance, accounting, financial management and corporate planning. He is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group. Mr. Yeung is a fellow member of both the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

## Report of the Directors

### BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS (Cont'd)

*Ms. Wong Yuk Ching*, aged 47, joined the Company in January 2002. Prior to joining the Company, she held managerial and director positions in a number of large garment trading and manufacturing companies. She has over 20 years of experience in the garments industry. She is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group.

*Mr. Zhou Ge*, aged 32, joined the Company in August 2002 as an executive director and resigned on 15 March 2004. Prior to joining the Company, he was a director of UBS Warburg Asia Limited. He was responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group. Mr. Zhou graduated from the University of Manchester Institute of Science and Technology with a bachelor's degree in chemical engineering. He also holds a degree of Master of Business and Administration from the Massachusetts Institute of Technology Sloan School of Management.

#### **Non-executive director**

*Mr. Lai Ka Fai*, aged 39, joined the Company in September 2000 as an executive director, and was re-designated as a non-executive director in January 2002. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 15 years of experience in finance, accounting, financial and operational management, and corporate planning. Mr. Lai graduated from the University of East Anglia in the United Kingdom with a bachelor's degree in science. He is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

#### **Independent non-executive directors**

*Mr. Anthony Francis Martin Conway*, aged 63, joined the Company in September 2000 as an independent non-executive director. Mr. Conway has over 39 years' experience in information technology and telecommunications, having held director and senior management positions in Hong Kong Telecom (now known as PCCW Limited), New World Telephone (now known as New World Telecommunications Limited), Unysis Corporation and NCR Corporation. He is currently the chairman of both I.Tel Holdings Ltd., an investment holding company for information technology related activities, and the Hong Kong Management Association Information Technology Committee. Mr. Conway is a fellow member of the Hong Kong Institute of Directors, the Hong Kong Management Association, the British Computer Society and the Hong Kong Institution of Engineers.

*Mr. Siu Leung Yau*, aged 50, joined the Company in September 2000 as an independent non-executive director. Mr. Siu has over 23 years' experience in property agency, investment and development. He is currently the managing director of Pan Win Holdings Limited. Mr. Siu is a member of the Hong Kong Association for the Advancement of Real Estate and Construction Technology Limited and a member of the Hong Kong Institute of Real Estate Administration.

*Mr. Liu Kwong Sang*, aged 41, joined the Company in July 2000 as an independent non-executive director. He is a practising accountant in Hong Kong with more than 13 years' experience. He is also a fellow member of both the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

## Report of the Directors

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### **DIRECTOR'S INTERESTS IN COMPETING BUSINESSES**

During the year and up to the date of this report, no directors are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### **POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events of the Group are set out in note 26 to the financial statements.

### **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the independent non-executive directors are not appointed for any specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

### **AUDIT COMMITTEE**

The Company established an audit committee in March 2000 in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The present members of the audit committee are two of the independent non-executive directors of the Company, namely Mr. Siu Leung Yau and Mr. Liu Kwong Sang.

# Report of the Directors

## AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board

**Yeung Kwok Kwong**

*Chairman*

Hong Kong

22 March 2004

## Report of the Auditors



To the members

**Polytec Asset Holdings Limited**

(formerly Kin Don Holdings Limited)

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 16 to 50 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 30 November 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

22 March 2004



## Consolidated Profit and Loss Account

Year ended 30 November 2003

	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)
TURNOVER	6	17,672	24,994
Cost of sales		(17,166)	(23,794)
Gross profit		506	1,200
Other revenue and gains	6	9,074	1,127
Selling and distribution costs		(63)	(90)
Administrative expenses		(10,411)	(8,543)
Other operating expenses, net		449	(5,759)
LOSS FROM OPERATING ACTIVITIES	7	(445)	(12,065)
Finance costs	9	(2,362)	(2,131)
Gain on disposal of subsidiaries	24(b)	18,397	33,658
Share of results of jointly-controlled entities		–	–
PROFIT BEFORE TAX		15,590	19,462
Tax	10	–	–
PROFIT BEFORE MINORITY INTERESTS		15,590	19,462
Minority interests		–	163
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	15,590	19,625
EARNINGS PER SHARE	12		
– Basic		0.26 cent	0.33 cent
– Diluted		0.16 cent	0.20 cent

# Consolidated Balance Sheet

30 November 2003

	Notes	2003 HK\$'000	2002 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	13	40	9,868
Interests in jointly-controlled entities	15	4,450	2,540
Rental and other deposits		–	191
		<b>4,490</b>	<b>12,599</b>
<b>CURRENT ASSETS</b>			
Short term investments	16	24,865	6,438
Prepayments, deposits and other receivables		838	1,195
Cash and cash equivalents	17	22,602	42,686
		<b>48,305</b>	<b>50,319</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	18	–	1,392
Accrued liabilities and other payables		1,612	14,592
Interest-bearing bank and other borrowings	19	–	11,121
Finance lease payables	20	–	68
		<b>1,612</b>	<b>27,173</b>
<b>NET CURRENT ASSETS</b>		<b>46,693</b>	<b>23,146</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>51,183</b>	<b>35,745</b>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax	10	–	1,160
		–	1,160
<b>MINORITY INTERESTS</b>		–	–
		<b>51,183</b>	<b>34,585</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	21	63,504	63,504
Reserves	23(a)	(12,321)	(28,919)
		<b>51,183</b>	<b>34,585</b>

**Yeung Kwok Kwong**  
Director

**Wong Yuk Ching**  
Director

## Consolidated Statement of Changes in Equity

Year ended 30 November 2003

	Issued capital HK\$'000	Share premium account HK\$'000	Fixed asset revaluation reserve HK\$'000	Statutory reserve HK\$'000 (note 23(a))	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 December 2001	63,504	122,818	1,699	35	(1,043)	(172,053)	14,960
Net profit for the year	–	–	–	–	–	19,625	19,625
At 30 November 2002 and 1 December 2002	63,504	122,818	1,699	35	(1,043)	(152,428)	34,585
Release on disposal of subsidiaries	–	–	(1,699)	(35)	1,043	1,699	1,008
Net profit for the year	–	–	–	–	–	15,590	15,590
<b>At 30 November 2003</b>	<b>63,504</b>	<b>122,818 *</b>	<b>– *</b>	<b>– *</b>	<b>– *</b>	<b>(135,139) *</b>	<b>51,183</b>

\* These reserve accounts comprise the consolidated reserves of (HK\$12,321,000) (2002: (HK\$28,919,000)) in the consolidated balance sheet.

# Consolidated Cash Flow Statement

Year ended 30 November 2003

	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>15,590</b>	19,462
Adjustments for:			
Gain on disposal of subsidiaries	24(b)	<b>(18,397)</b>	(33,658)
Finance costs	9	<b>2,362</b>	2,131
Dividend income from listed securities	6	<b>(397)</b>	(458)
Interest income	6	<b>(69)</b>	(310)
Write back of provision for other receivables	7	<b>(1,500)</b>	–
Depreciation	7	<b>328</b>	1,200
Fixed assets written off	7	<b>–</b>	86
Loss on disposal of fixed assets	7	<b>–</b>	370
Impairment of fixed assets	7	<b>–</b>	1,989
Unrealised holding losses/(gains) on trading securities	6, 7	<b>(5,754)</b>	1,984
Provision for other receivables	7	<b>1,051</b>	1,500
Operating loss before working capital changes		<b>(6,786)</b>	(5,704)
Increase in short term investments		<b>(12,673)</b>	(8,422)
Decrease/(increase) in rental and other deposits		<b>191</b>	(191)
Decrease/(increase) in prepayments, deposits and other receivables		<b>868</b>	(1,486)
Increase in an amount due from a jointly-controlled entity		<b>(1,910)</b>	(540)
Decrease in accounts payable		<b>–</b>	(692)
Increase/(decrease) in accrued liabilities and other payables		<b>182</b>	(5,456)
Cash used in operations		<b>(20,128)</b>	(22,491)
Interest received		<b>69</b>	248
Interest paid		<b>(124)</b>	(169)
Interest element on finance lease rental payments		<b>(1)</b>	(38)
Dividends from listed securities		<b>217</b>	458
Net cash outflow from operating activities		<b>(19,967)</b>	(21,992)

# Consolidated Cash Flow Statement

Year ended 30 November 2003

	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of fixed assets	13	(6)	(57)
Proceeds from disposal of fixed assets		–	1,410
Disposal of subsidiaries	24(b)	(43)	100
Loan to a jointly-controlled entity		–	(2,000)
<b>Net cash outflow from investing activities</b>		<b>(49)</b>	<b>(547)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of bank loans		–	(1,440)
Capital element of finance lease rental payments		(68)	(378)
<b>Net cash outflow from financing activities</b>		<b>(68)</b>	<b>(1,818)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(20,084)</b>	<b>(24,357)</b>
Cash and cash equivalents at beginning of year		42,686	67,043
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>22,602</b>	<b>42,686</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	17	22,602	12,515
Time deposits with original maturity of less than three months when acquired	17	–	30,171
		<b>22,602</b>	<b>42,686</b>

## Balance Sheet

30 November 2003

	Notes	2003 HK\$'000	2002 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Interests in subsidiaries	14	29,346	8,821
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables		30	4
Cash and cash equivalents	17	22,173	42,348
		<b>22,203</b>	42,352
<b>CURRENT LIABILITIES</b>			
Accrued liabilities and other payables		1,101	850
<b>NET CURRENT ASSETS</b>			
		<b>21,102</b>	41,502
		<b>50,448</b>	50,323
<b>CAPITAL AND RESERVES</b>			
Issued capital	21	63,504	63,504
Reserves	23(b)	(13,056)	(13,181)
		<b>50,448</b>	50,323

**Yeung Kwok Kwong**  
Director

**Wong Yuk Ching**  
Director

# Notes to Financial Statements

30 November 2003

## I. CORPORATE INFORMATION

The principal place of business of Polytec Asset Holdings Limited is located at 23/F, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong.

During the year, the Company's principal activity was investment holding. The principal activities of the Company's subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year, except that the Group's management considers that the securities investment and trading businesses should be recognised as part of the principal activities of the Group in current year. Subsequent to the year, the Group has entered into an agreement with an independent third party for the development of certain villa type houses for its property development business. Since then, the Group's management considers that property development business has become one of the principal activities of the Group.

The Company is a subsidiary of Marble King International Limited ("Marble King"), a company incorporated in the British Virgin Islands, which is considered by the directors to be the Company's ultimate holding company as at the balance sheet date.

## 2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

- SSAP I (Revised) : "Presentation of financial statements"
- SSAP II (Revised) : "Foreign currency translation"
- 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 and on the amounts disclosed in these financial statements are summarised as follows:

SSAP I (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP II (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and jointly-controlled entities are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP II has had no material effect on the financial statements.

# Notes to Financial Statements

30 November 2003

## 2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Cont'd)*

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated into Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes that have resulted from them are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 and in note 24 (a) to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are now required in respect of the Company's share option schemes, as detailed in note 22 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of this SSAP.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of fixed assets and short term investments as further explained below.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 November 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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



# Notes to Financial Statements

30 November 2003

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Revenue recognition

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

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- consultancy service fee income, when the services are rendered and are billable;
- from the sale of investments, on a trade date basis or on the date on which the relevant sales contracts become or are deemed unconditional, where appropriate; and
- dividends, when the shareholders' right to receive payment has been established.

### Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

### Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the activities of the joint venture company, the capital contributions of the joint venture parties, the duration of the joint venture, the basis on which the assets are to be realised upon its dissolution and details regarding the appointment of the board of directors or equivalent governing body of the joint venture company. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Joint venture companies (Cont'd)

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control with other joint venture parties, directly or indirectly, over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's share/registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's share/registered capital and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture company.

### Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control by the Group and other joint venture parties, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

### Impairment of assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

# Notes to Financial Statements

30 November 2003

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Impairment of assets (Cont'd)

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal or retirement, the attributable revaluation surplus realised is transferred directly to retained profits/accumulated losses as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset, less any estimated residual value, over its estimated useful life.

Leasehold land	Over the lease terms
Buildings	20 to 50 years, or over the lease terms, whichever is shorter
Leasehold improvements	3 to 10 years, or over the lease terms, whichever is shorter
Plant and machinery	10 years
Furniture and equipment	5 years
Motor vehicles	4 years

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

# Notes to Financial Statements

30 November 2003

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Short term investments

Trading securities are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of securities are credited or charged to the profit and loss account for the period in which they arise.

Equity-linked notes are debt securities with a maturity of usually less than one year, whose return is linked to the share price performance of a particular listed reference equity. The Group purchases such equity-linked notes at a discount and receives the full nominal amount of the notes (the "Nominal Value") at the maturity date, provided that the closing price of the particular reference equity on the maturity date is above a predetermined strike price (the "Strike Price"). If the closing price of the reference equity on the maturity date is at or below the Strike Price, the Group is obliged to redeem the equity-linked notes in exchange for shares in the underlying reference equity.

The equity-linked notes are stated at the lower of the cost of the notes plus cumulative amortisation of the difference between their purchase price and the Nominal Value at the maturity date, and the fair value of the particular reference equity on the basis of its quoted market price at the balance sheet date. The net gains or losses so arising are credited or charged to the profit and loss account for the period in which they arise.

### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

### Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing.

Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

# Notes to Financial Statements

30 November 2003

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Leased assets (Cont'd)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Employee benefits

#### *Employment Ordinance long service payments*

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

#### *Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

#### *Share option scheme*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time when the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of 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 prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

# Notes to Financial Statements

30 November 2003

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and jointly-controlled entities, and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously-reported cash flows of the prior year.

## 4. RELATED PARTY TRANSACTIONS

During the years ended 30 November 2002 and 2003, the Group had the following transactions with related parties:

- (i) During the year ended 30 November 2002, the Group received written consent from certain existing directors and an ex-director of the Company to waive their remuneration owed by the Group, amounting to HK\$2,032,580 in aggregate (note 8).
- (ii) During the year ended 30 November 2003, the Group paid rental expenses and building management fees amounting to HK\$754,000 (2002: HK\$568,000) in aggregate to a company beneficially owned by the beneficial owner of the ultimate holding company of the Company, for the leasing of an administrative office in Hong Kong. The rental expenses were charged with reference to the then prevailing market price and conditions.

# Notes to Financial Statements

30 November 2003

## 4. RELATED PARTY TRANSACTIONS (Cont'd)

- (iii) During the year ended 30 November 2003, the Group received consultancy service fee income of HK\$240,000 (2002: HK\$220,000) from a jointly-controlled entity. The consultancy service fee income was charged on a monthly basis of HK\$20,000.
- (iv) During the year ended 30 November 2003 the Group has guaranteed certain proposed banking facilities granted by a bank to a jointly-controlled entity of the Group, of up to HK\$4,800,000. As at 30 November 2003, the banking facilities has not been taken up.

## 5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

### (a) Geographical segments

Further segment information has not been disclosed in respect of the Group's geographical segments as over 90% of the Group's revenue, results, assets and liabilities were derived from operations in the People's Republic of China including Hong Kong.

### (b) Business segments

The Group has two business segments, namely the securities investment and trading, and trading of garments. The securities investment and trading constitutes more than 90% of the consolidated revenue. Moreover, the segment assets for the trading of garments are less than 10% of the total assets of all segments. Therefore, no business segment analysis is presented.



# Notes to Financial Statements

30 November 2003

## 6. TURNOVER AND REVENUE AND GAINS

Turnover represents the invoiced value of goods sold, after allowances for returns and trade discounts, and proceeds from the sale of trading securities.

An analysis of the Group's turnover, other revenue and gains is as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000 (Restated)
<b>Turnover</b>		
Sale of goods	<b>475</b>	824
Proceeds from sale of trading securities (note 27)	<b>17,197</b>	24,170
	<b>17,672</b>	24,994
<b>Other revenue and gains</b>		
Unrealised holding gain on trading securities	<b>5,754</b>	–
Dividend income from listed securities	<b>397</b>	458
Interest income	<b>69</b>	310
Consultancy service fee income	<b>240</b>	220
Gain on equity-linked notes, net	<b>2,607</b>	129
Others	<b>7</b>	10
	<b>9,074</b>	1,127
	<b>26,746</b>	26,121

## Notes to Financial Statements

30 November 2003

### 7. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	Notes	2003 HK\$'000	2002 HK\$'000
Staff costs (excluding directors' remuneration):	8		
Wages and salaries		1,774	2,060
Provident fund contributions		57	62
		<b>1,831</b>	2,122
Depreciation	13	328	1,200
Minimum lease payments under operating leases in respect of land and buildings		809	1,157
Auditors' remuneration:			
Current year provision		318	318
Under provision in prior year		–	50
		<b>318</b>	368
Fixed assets written off	13	–	86
Loss on disposal of fixed assets		–	370
Impairment of fixed assets	13	–	1,989
Unrealised holding (gains)/losses on trading securities, net		(5,754)	1,984
Provision for other receivables		1,051	1,500
Write back of provision for an other receivable		(1,500)	–

## Notes to Financial Statements

30 November 2003

### 8. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive directors	–	–
Non-executive directors	20	30
Independent non-executive directors	40	60
	60	90
Other emoluments to executive directors:		
Salaries, allowances and benefits in kind	3,558	2,559
Provident fund contributions	162	85
	3,720	2,644
	3,780	2,734

The number of directors whose remuneration fell within the bands set out below is as follows:

	Group	
	Number of directors 2003	Number of directors 2002
Nil to HK\$1,000,000	5	8
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	2	1
	7	9

During the year ended 30 November 2002, the Group received written consent from certain existing directors and an ex-director of the Company to waive remuneration of a total HK\$2,032,580 payable to the directors. The remuneration waived for the prior year had not been incorporated in the other emoluments to executive directors as disclosed above. Save as the aforesaid, there was no arrangement under which a director waived or agreed to waive any remuneration during the current and last years.

## Notes to Financial Statements

30 November 2003

### 8. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS (Cont'd)

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

The five highest paid individuals during the year included two (2002: two) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining three (2002: three) non-director, highest paid individuals are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Salaries, allowances and benefits in kind	959	943
Provident fund contributions	33	33
	<b>992</b>	<b>976</b>

The remuneration of each of the remaining three non-director, highest paid individuals fell within the nil – HK\$1,000,000 band for the year.

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

### 9. FINANCE COSTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Interest expense on:		
Bank loans and overdrafts wholly repayable within five years	1,780	1,786
Other loans wholly repayable within five years	581	307
Finance leases	1	38
	<b>2,362</b>	<b>2,131</b>

## Notes to Financial Statements

30 November 2003

### 10. TAX

No provision for Hong Kong profits tax has been made as the Group either had no assessable profits arising in Hong Kong, or had losses brought forward from the prior year to offset the assessable profit during the year.

The principal components of the Company's and the Group's deferred tax liabilities/(assets) provided/ (not provided) for in the financial statements at the balance sheet date were as follows:

	Group				Company			
	Provided		Not provided		Provided		Not provided	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Accelerated depreciation allowances	-	-	-	(9)	-	-	-	-
Tax losses carried forward	-	-	(312)	(14,750)	-	-	(7)	(552)
Other timing differences	-	1,160	-	(477)	-	-	-	-
At 30 November	-	1,160	(312)	(15,236)	-	-	(7)	(552)

### 11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 30 November 2003 dealt with in the financial statements of the Company was HK\$125,000 (2002: net loss of HK\$10,378,000) (note 23(b)).

### 12. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30 November 2003 is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$15,590,000 (2002: HK\$19,625,000) and the weighted average of 5,950,372,434 (2002: 5,950,372,434) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 30 November 2003 is based on the net profit attributable to shareholders for the year of HK\$15,590,000 (2002: HK\$19,625,000). The weighted average number of ordinary shares used in the calculation is 9,950,372,434 (2002: 9,950,372,434), being the weighted average of 5,950,372,434 (2002: 5,950,372,434) ordinary shares in issue during the year as used in the basic earnings per share calculation and assuming that 4,000,000,000 convertible preference shares had been converted into ordinary shares, at the rate of one ordinary share for every one convertible preference share.

# Notes to Financial Statements

30 November 2003

## 13. FIXED ASSETS

### Group

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:						
At beginning of year	9,685	1,338	8,820	261	2,240	22,344
Additions	-	-	-	6	-	6
Disposal of subsidiaries (note 24(b))	(9,685)	(1,338)	(8,820)	-	(2,240)	(22,083)
<b>At 30 November 2003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>267*</b>	<b>-</b>	<b>267</b>
Accumulated depreciation and impairment:						
At beginning of year	432	778	8,820	206	2,240	12,476
Depreciation provided during the year	197	110	-	21	-	328
Disposal of subsidiaries (note 24(b))	(629)	(888)	(8,820)	-	(2,240)	(12,577)
<b>At 30 November 2003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>227</b>	<b>-</b>	<b>227</b>
Net book value:						
<b>At 30 November 2003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40</b>	<b>-</b>	<b>40</b>
At 30 November 2002	9,253	560	-	55	-	9,868

\* The furniture and equipment were stated at cost as at 30 November 2003.

## 14. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted investments, at cost	101,039	101,039
Due from subsidiaries	114,999	178,376
Provision for impairment	(186,692)	(270,594)
	<b>29,346</b>	<b>8,821</b>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

# Notes to Financial Statements

30 November 2003

## 14. INTERESTS IN SUBSIDIARIES (Cont'd)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2003	2002	
<b>Directly held:</b>					
Newcott Limited	British Virgin Islands	US\$1	100	100	Investment holding
City Power Services Limited	British Virgin Islands	US\$1	100	100	Investment holding
Noble Prime International Limited	British Virgin Islands	US\$1	100	100	Investment holding
<b>Indirectly held:</b>					
Sheen Concord Enterprises Limited	Hong Kong	HK\$2	100	100	Securities investment and trading
Glentech International Company Limited	Hong Kong	HK\$2	100	100	Investment holding, provision of consultancy services and trading of garment
Imperial Profit Investment Limited	British Virgin Islands/ Hong Kong	US\$1	100	100	Securities investment and trading
Profit Sphere International Limited	British Virgin Islands	US\$1	100	100	Dormant

## Notes to Financial Statements

30 November 2003

### 15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	–	–
Loans to jointly-controlled entities	27,750	27,750
Due from a jointly-controlled entity	2,450	540
	<b>30,200</b>	28,290
Provision against a loan to a jointly-controlled entity	(25,750)	(25,750)
	<b>4,450</b>	2,540

The loan advanced to a jointly-controlled entity of HK\$25,750,000 is unsecured, interest-free and will not be repaid until approval from all of the shareholders of the jointly-controlled entity is obtained. The other loan to a jointly-controlled entity of HK\$2,000,000 is unsecured, interest-free and has no fixed terms of repayment.

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.



# Notes to Financial Statements

30 November 2003

## 15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Cont'd)

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity attributable to the Group	Principal activities
Li Yang Broadcasting & Advertising (HK) Limited*	Corporate	Hong Kong	48	Television advertisement design and production, and the provision of advertising agency and advertisement publication services, including the export and import of advertising and related products
Eastford Development Limited*	Corporate	Hong Kong	48	Property development

\* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

All of the above investments in jointly-controlled entities are indirectly held by the Company.

None of the financial statements of the above jointly-controlled entities are coterminous with those of the Group and both have financial year ending 31 December. The consolidated financial statements are adjusted for material transactions between the above jointly-controlled entities and group companies between 1 December and 31 December.

## 16. SHORT TERM INVESTMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Trading securities listed in Hong Kong, at market value (note 19)	24,865	2,460
Equity-linked notes, at amortised cost	—	3,978
	<b>24,865</b>	<b>6,438</b>

# Notes to Financial Statements

30 November 2003

## 17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Cash and bank balances (note 19)	22,602	12,515	22,173	12,177
Time deposits	–	30,171	–	30,171
Cash and cash equivalents	22,602	42,686	22,173	42,348

## 18. ACCOUNTS PAYABLE

As at 30 November 2002, all of the Group's accounts payable were aged over 365 days.

## 19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank loans, secured	–	9,439
Other loans, secured	–	1,682
	–	11,121

The interest-bearing bank and other borrowings as at 30 November 2002 were repayable within one year or on demand.

As at 30 November 2003, the Group's borrowing facilities, which had not been utilised by the Group as at the balance sheet date, were supported by the following:

- the pledge of certain trading securities of the Group with net book value of HK\$3,856,000; and
- the pledge of certain cash in bank of the Group of HK\$5,000.

## Notes to Financial Statements

30 November 2003

### 19. INTEREST-BEARING BANK AND OTHER BORROWINGS (Cont'd)

As at 30 November 2002, the Group's borrowing facilities were supported by the following:

- (a) legal charges over all of the Group's medium term leasehold land and buildings with an aggregate net book value of approximately HK\$9,253,000;
- (b) the pledge of certain plant and machinery of the Group with nil net book value;
- (c) guarantees executed by a minority equity holder of a subsidiary of the Company to the extent of HK\$2,187,000; and
- (d) legal charges over certain land owned by a company owned by an ex-director of the Company.

### 20. FINANCE LEASE PAYABLES

The Group leased its motor vehicles for business purposes. These leases were classified as finance leases and were fully settled during the year.

As at 30 November 2003, the total future minimum lease payments under finance leases and their present values were as follows:

	<b>Minimum lease payments</b>	Minimum lease payments	<b>Present value of minimum lease payments</b>	Present value of minimum lease payments
	<b>2003 HK\$'000</b>	2002 HK\$'000	<b>2003 HK\$'000</b>	2002 HK\$'000
Amounts payable within one year	–	69	–	68
Future finance charges	–	(1)	–	–
<b>Total net finance lease payables</b>	<b>–</b>	<b>68</b>	<b>–</b>	<b>68</b>
Portion classified as current liabilities	–	(68)		
Non-current portion	–	–		

# Notes to Financial Statements

30 November 2003

## 21. SHARE CAPITAL

	2003 HK\$'000	2002 HK\$'000
<i>Authorised:</i>		
100,000,000,000 ordinary shares of HK\$0.01 each	1,000,000	1,000,000
5,000,000,000 convertible preference shares of HK\$0.01 each	50,000	50,000
	<b>1,050,000</b>	1,050,000
<i>Issued:</i>		
5,950,372,434 fully paid ordinary shares of HK\$0.01 each	59,504	59,504
4,000,000,000 partly paid convertible preference shares of HK\$0.01 each – Note	4,000	4,000
	<b>63,504</b>	63,504

*Note:*

In previous year, 4,000,000,000 convertible preference shares were issued partly paid as to 10% of the subscription price of HK\$0.02 per share pursuant to the subscription agreement entered into with Marble King and were subscribed by Marble King. There is no time restriction for the unpaid amount of HK\$72,000,000 of the convertible preference shares to be fully paid up. The Company has no right to make calls with respect to amounts unpaid on any partly paid convertible preference shares.

The holder may convert fully paid convertible preference shares into new ordinary shares of the Company during the period commencing on 14 September 2001 and ending on the date five years thereafter, inclusive, at any time at the rate of one ordinary share for every one fully paid convertible preference share (subject to adjustment).

During the period commencing on 14 September 2001 and ending on the date five years thereafter, inclusive, at any time, the holders of the convertible preference shares, whether partly paid or fully paid, may require the Company to redeem, to the extent that conversion has not been elected by the holders of the convertible preference shares, the outstanding convertible preference shares for the amount paid up. The Company does not have the right to redeem the convertible preference shares.

If the convertible preference shares are still in issue after five years commencing on 14 September 2001, the holders of the convertible preference shares will automatically forfeit all of their redemption/conversion rights under the convertible preference shares and the convertible preference shares will become preference shares without carrying any conversion or redemption features thereafter. Any paid-up capital of the convertible preference shares will continue to be retained in the accounts of the Company.

Any convertible preference shares which have been fully paid up will rank *pari passu* for dividends with the ordinary shares from time to time in issue. Partly paid convertible preference shares are not entitled to any dividends.

The holders of the convertible preference shares are entitled to receive notices of general meetings, but not to attend or vote.

## 22. SHARE OPTIONS

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Pursuant to the share option scheme adopted by the Company on 19 August 1998 (the "Old Scheme"), the directors of the Company were authorised, at their discretion to invite any employees, including the directors of the Company and any of its subsidiaries to take up options to subscribe for shares of the Company. The maximum number of unexercised share options permitted to be granted under the Old Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time.

No option may be granted under the Old Scheme to any eligible participant which, if exercised in full, would result in such eligible participant being entitled to subscribe for such number of the shares of the Company as, when aggregated with the total number of the Company's shares already issued and issuable to him/her under the Old Scheme, would exceed 25% of the aggregate number of the Company's shares in issue and issuable under the Old Scheme.

No consideration is payable by the grantee of an option upon acceptance of the grant of the option under the Old Scheme. The exercise period of the share options granted under the Old Scheme is determinable by the directors, and in any event is not later than 10 years commencing on the date on which the share options are granted.

The exercise price of the share options granted under the Old Scheme is determinable by the directors, but may not be less than the higher of (i) 80% of the average of the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of the offer of the option; and (ii) the nominal value of the shares.

There was no share option granted under the Old Scheme which remained outstanding as at 30 November 2003.

In order to comply with the new requirements of Chapter 17 of the Listing Rules on granting options under share option schemes, which took effect on 1 September 2001, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted pursuant to the ordinary resolutions passed by the shareholders at the extraordinary general meeting of the Company held on 9 January 2004.

## 22. SHARE OPTIONS (Cont'd)

Under the New Scheme, eligible participants include any employees (including full-time and part-time employee), directors (including executive, non-executive and independent non-executive director), suppliers of goods and services, customers, business partners or business associates of the Group, consultant or adviser providing consultancy or advisory services in relation to the businesses, trading agents or holders of any securities issued by any member of the Group or any entity in which the Group holds an equity interest. The New Scheme became effective on 9 January 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Under the New Scheme, share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under the New Scheme may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences from the date the grantee accepts the share options and ends on the expiry date of the New Scheme.

The exercise price of the share options granted under the New Scheme is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

# Notes to Financial Statements

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## 23. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

In accordance with the relevant regulations of Mainland China, two subsidiaries of the Group established in Mainland China which were disposed of during the year, are required to transfer a certain percentage of their respective profit after tax, if any, to the statutory reserve. Subject to certain restrictions as set out in the relevant Mainland China regulations, the statutory reserve may be used to offset against the respective accumulated losses, if any, of these two subsidiaries.

### (b) Company

	Share premium account HK\$'000	Capital reserve# HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 December 2001	122,818	59,789	(185,410)	(2,803)
Net loss for the year	–	–	(10,378)	(10,378)
At 30 November 2002 and 1 December 2002	122,818	59,789	(195,788)	(13,181)
Net profit for the year	–	–	125	125
<b>At 30 November 2003</b>	<b>122,818</b>	<b>59,789</b>	<b>(195,663)</b>	<b>(13,056)</b>

# The capital reserve of the Company represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the Group reorganisation completed in 1998, over the nominal value of the Company's shares issued in exchange therefor.

# Notes to Financial Statements

30 November 2003

## 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Change of presentation

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the cash flow statement. The cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance, and from taxes paid. The significant reclassification resulting from the change in presentation is that interest and dividends received and interest paid are now included in cash flows from operating activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

### (b) Disposal of subsidiaries

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net liabilities disposed of:		
Fixed assets ( <i>note 13</i> )	<b>9,506</b>	68
Inventories	–	2,922
Prepayments, deposits and other receivables	<b>118</b>	56
Cash and bank balances	<b>63</b>	–
Accounts payable	<b>(1,392)</b>	(510)
Accrued liabilities and other payables	<b>(15,399)</b>	(474)
Interest-bearing bank and other borrowings	<b>(11,121)</b>	–
Deposits received	–	(2,244)
Tax payable	–	(33,376)
Deferred tax	<b>(1,160)</b>	–
	<b>(19,385)</b>	(33,558)
Release of reserves on disposal	<b>1,008</b>	–
Gain on disposal of subsidiaries	<b>18,397</b>	33,658
	<b>20</b>	100
Satisfied by:		
Cash	<b>20</b>	100



## Notes to Financial Statements

30 November 2003

### 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

#### (b) Disposal of subsidiaries (Cont'd)

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 <b>HK\$'000</b>
Cash consideration	<b>20</b>	100
Cash and bank balances disposed of	<b>(63)</b>	–
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	<b>(43)</b>	100

The subsidiaries disposed of during the year made no contribution to the Group's turnover (2002: Nil) and contributed a loss of HK\$3,454,000 (2002: HK\$8,518,000) to the net profit from ordinary activities attributable to shareholders for the year.

### 25. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for a term of two years.

At 30 November 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Group</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 <b>HK\$'000</b>
Within one year	<b>152</b>	607
In the second year	<b>–</b>	152
	<b>152</b>	759

## 26. POST BALANCE SHEET EVENTS

- (i) Subsequent to the balance sheet date, on 4 December 2003, the Company terminated its proposal in relation to the possible redomicile of the Company from the Cayman Islands to Bermuda and the listing of a new holding company of the Company as further set out in the Company's announcement dated 20 October 2003.
- (ii) Pursuant to resolutions passed by the shareholders of the Company in an extraordinary general meeting on 9 January 2004:

**(a) change of name**

the name of the Company was changed to "Polytec Asset Holdings Limited 保利達資產控股有限公司" with effect from 21 January 2004, the date on which the new name was registered with the Registrar of Companies in the Cayman Islands;

**(b) capital reorganisation**

a conditional capital reorganisation scheme (the "Capital Reorganisation") of the Company was proposed to be implemented, which involves:

- a reduction (the "Capital Reduction") in the par value of each existing ordinary share of HK\$0.01 (the "Share") in issue to HK\$0.005 each (the "Reduced Share") and the application of the credit arising to eliminate the accumulated losses of the Company;
- a consolidation of (a) every 20 Reduced Shares into one consolidated share of which par value is HK\$0.1 each and (b) every 10 unissued Shares into one unissued consolidated share of which par value is HK\$0.1 each;
- the cancellation of the share premium of approximately HK\$118,818,000 and the application of the credit arising to eliminate the accumulated losses of the Company; and
- the cancellation of the capital reserve amounting to approximately HK\$59,789,000 and the application of the credit arising to eliminate the accumulated losses of the Company

and up to the date of approval of these financial statements, certain conditions, including the sanction of Cayman Islands court to effect the Capital Reduction, in respect of the Capital Reorganisation have not yet been fulfilled; and

# Notes to Financial Statements

30 November 2003

## 26. POST BALANCE SHEET EVENTS *(Cont'd)*

### (c) share option scheme

the existing share option scheme was terminated and a new share option scheme was adopted.

Further details of the above resolutions are set out in the Company's announcement dated 9 January 2004.

## 27. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform with the current year's presentation. These include principally the inclusion of proceeds from sale of trading securities and the respective costs as part of the Group's turnover and cost of sales, respectively, since the management of the Group anticipates that the securities investment and trading business will be continued in the future as part of the principal activities of the Group. Previously, gains or losses from trading securities were classified as other revenue or other operating expenses on a net basis. In addition, as further explained in notes 2 and 24(a) to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements.

## 28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2004.