

**NOTES TO THE FINANCIAL STATEMENTS** For the year ended 31 March 2004**1. GENERAL INFORMATION**

The Company was incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activities of the Company and its subsidiaries (the "Group") are the manufacture and trading of automotive components, the trading of electronics components and investment.

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with accounting policies generally accepted in Hong Kong and under the historical cost convention as modified by the revaluation of other investments and in compliance with the Companies Ordinance. The principal accounting policies are set out below. The accounting policies and methods of computation used in the preparation of the financial statements for the year ended 31 March 2004 are consistent with those adopted in the 2003 financial statements except for the change in accounting policy as explained below.

**(a) Adoption of Statement of Standard Accounting Practice**

In the current year, the Group has adopted Hong Kong Financial Reporting Standard ("HKFRS") – Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountants ("HKSA"). The term HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In prior years, deferred tax was provided using the income statement liability method on all significant differences to the extent it was probable that the liability would crystallise in the foreseeable future. A deferred tax asset was not recognised until its realisation was assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior periods.

**(b) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess (deficiency) of the cost of acquisition over (below) the fair values of the identifiable net assets acquired is recognised as goodwill (negative goodwill). The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (Continued)**

**(b) Basis of consolidation (Continued)**

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant intercompany transactions and balances between Group enterprises are eliminated on consolidation.

**(c) Investments in subsidiaries**

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

**(d) Interests in associates**

An associate is an enterprise over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Any excess (deficiency) of the cost of acquisition over (below) the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill (negative goodwill).

Where a Group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

**(e) Fixed assets and depreciation**

Fixed assets are stated at cost, less provisions for depreciation and any impairment losses. Details are set out in note 13. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the year 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 the fixed asset. When an asset is sold, its cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in the profit and loss account.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (Continued)****(e) Fixed assets and depreciation (Continued)**

Depreciation is provided on the straight-line method, based on the estimated economic useful lives of the individual assets, at the following rates of depreciation are used:

Leasehold improvements	20%
Furniture and equipment	20%
Motor vehicles	20%
Plant and machinery	9% to 18%

**(f) Intangible assets**

Intangible assets include goodwill, commercial records, customer lists, supplier lists, book debt and customer contracts, which were purchased by the Group from one of its former subsidiaries.

Intangible assets are stated at cost less amortisation over a period of ten years and impairment loss, if any.

**(g) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**(h) Investments in securities**

Investment in securities held on a continuing basis with an identified long-term strategic purpose are stated at cost and subject to impairment review at each reporting date to reflect any diminution in their value, which is expected to be other than temporary. The amount of provisions is recognised in the income statement in the period in which the decline occurs.

**(i) Other investments**

Other investments consist of investment in securities not held for a strategic long-term purpose and are carried at market value. Other investments are either included within investments in securities where the investments are identified as being held for a long-term purpose or are classified as other investments within current assets where the investments are held for short-term trading purposes. Gains and losses arising from changes in fair value are recognised in the income statement.

**(j) Trade receivables**

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (Continued)****(k) Cash and cash equivalents**

For the purposes of the consolidated cash flow statement, cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, 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 having been within three months of maturity when acquired.

**(l) Finance and operating leases**

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessees. Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit and loss account over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

All other leases are classified as operating leases and annual rentals under operating leases are charged to the profit and loss account on a straight-line basis over the term of the relevant lease.

**(m) Foreign currencies**

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

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

**(n) Deferred taxation**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (Continued)****(n) Deferred taxation (Continued)**

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

**(o) Recognition of revenue**

Revenue from the sale 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.

**(p) Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (Continued)****(q) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

**(r) Borrowing costs**

Borrowing costs are recognised in net profit or loss in the period in which they are incurred.

**(s) Contributions to pension and retirement benefits schemes**

The Group's subsidiary in the PRC participates in the provincial/municipal defined contribution retirement benefit schemes managed by the respective provincial/municipal bureau. Pursuant to the relevant provisions, the subsidiary is required to make monthly contributions at rates prevailing in the relevant province on the employees' monthly salaries. The retirement benefit costs are charged to the income statement.

The Hong Kong subsidiaries operate defined contribution retirement benefit schemes under the Mandatory Provident Fund ("MPF") Scheme Ordinance. The MPF Scheme Ordinance requires both the company and the employees to contribute 5% of the employees' monthly gross earnings with a ceiling of HK\$1,000 per month. The assets of the MPF Scheme are held separately from those of the company in independently administered funds. The contributions payable to the scheme are charged to the income statement as incurred.

**(t) Related parties**

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

**(u) Segment reporting**

The Group is engaged in the business of manufacturing and trading of automotive components and trading of electronics components in the Greater China Region.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format. No geographical segments are presented as all the activities arose from the Greater China Region.

Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities.

**3. TURNOVER AND REVENUE**

Turnover represents total net invoiced value of goods supplied to customers outside the Group.

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Turnover	<b>29,738</b>	11,452
Net income from investment in securities	<b>543</b>	–
Other revenue	<b>40</b>	38
Total revenue recognized during the year	<b>30,321</b>	11,490

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**4. SEGMENTAL INFORMATION**

The analysis of the business segments of operations of the Group during the year ended 31 March 2004 are as follows:

	<b>Manufacturing and trading of automotive components</b>	<b>Trading of electronics components</b>	<b>Others</b>	<b>Consolidated</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	9,350	20,388	–	29,738
Contribution from operations	(325)	(4,725)	543	(4,507)
Unallocated Group expenses				(12,253)
Loss from operations				(16,760)
Gain on disposal of subsidiaries				24
Unrealised holding loss			(1,063)	(1,063)
Finance costs				(950)
Amortisation of goodwill on acquisition of associates				(130)
Share of loss of associates				(88)
Reversal of provision for impairments				730
Loss before taxation				(18,237)
Taxation				–
Loss after taxation but before minority interests				(18,237)
Minority interests				(202)
Loss for the year				(18,439)
Segment assets	6,630	14,857	7,811	29,298
Investment in associates				32,782
Unallocated				16,015
Total assets				78,095
Segment liabilities	(3,893)	(159)	–	(4,052)
Unallocated				(8,307)
Total liabilities				(12,359)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**4. SEGMENTAL INFORMATION (Continued)**

No analysis of the Group's turnover and its contribution to operations for the year ended 31 March 2003 are presented as 100% of the Group's turnover and loss from operations arose from the manufacturing and trading of automotive components in the People's Republic of China. The Group's operations for the year ended 31 March 2004, and its business assets and liabilities are located in the Greater China Region.

**5. PROVISIONS AGAINST ADVANCE PAYMENTS TO SUPPLIERS**

In the ordinary course of business, the Group advances monies to suppliers and companies used by those suppliers in order to source electronics components. During the year, two such advances were made for which no goods were supplied both at the year end date and also up to the date of these financial statements. The directors have referred these transactions to a firm of lawyers in order for them to assess the likelihood of recoverability of these advances. As of the date of these financial statements, the lawyers had not yet reached their conclusions as to whether the advances would be recoverable. Hence, full provision was made against these two advances.

**6. FINANCE COSTS**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Finance charges on leases	25	–
Interest on bank overdrafts	–	6
Interest on short term loan	925	–
	<b>950</b>	<b>6</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**7. (LOSS)/PROFIT BEFORE TAXATION**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
(Loss)/Profit before taxation is arrived at after charging:-		
Auditors' remuneration		
– for the current year	<b>162</b>	178
– overprovision in prior years	–	(84)
Amortisation of intangible assets	<b>50</b>	50
Cost of inventories sold	<b>25,472</b>	7,896
Directors' emoluments		
– fee	–	402
– salaries and other benefits	<b>2,910</b>	60
– contributions to retirement benefits schemes ( <i>Note</i> )	<b>21</b>	–
Depreciation of property, plant and equipment		
– owned assets	<b>430</b>	292
– leased asset	<b>378</b>	–
Loss on disposal of property, plant and equipment	–	4
Operating lease charges in respect of rented premises	<b>1,131</b>	334
Professional fees in relation to debts restructuring	–	12,400
Provision for bad and doubtful debts	<b>5,615</b>	1,021
(Reversal)/provisions for impairment and write offs of:		
Long term investment	–	81
Inventories	<b>(730)</b>	–
Receivers' remuneration	–	5,036
Staff costs (excluding directors' emoluments)		
– salaries and allowances	<b>2,161</b>	540
– contributions to retirement benefits schemes ( <i>Note</i> )	<b>97</b>	294
And after crediting:-		
Gain on deconsolidation of subsidiaries	–	92,118
Gain on disposal of subsidiaries	<b>24</b>	–
Interest income	–	38
	<b>—————</b>	<b>—————</b>

*Note:* At 31 March 2004, the Group had no forfeited contributions available to reduce its contributions to its retirement benefits schemes in future years (2003: HK\$Nil).

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**8. TAXATION**

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
The tax charge comprises:		
Current year tax provision:		
– Hong Kong profits tax	–	–
– Overseas tax	–	141
Deferred tax	–	–
Taxation attributable to the Company and its subsidiaries	–	141
Share of taxation attributable to associates	–	–
	<u>–</u>	<u>141</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) on the estimated assessable profit for the year. The Profits Tax rate has been increased with effect from the 2003 year of assessment.

The taxation for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

As a result of the corporate restructuring in 2002, certain loans and accounts payable were written back by the Company and its subsidiaries. Based on the documentation and financial records provided by the Receivers of the Company and its subsidiaries during the administration period, the Directors are of the opinion that these write-backs are all capital in nature and not subject to profits tax.

The charge for the year can be reconciled to the (loss)/profit per income statement as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
(Loss)/profit before tax	<u>(18,237)</u>	<u>711,178</u>
Tax at the domestic income tax rate at 17.5% (2003: 16%)	<b>(3,191)</b>	113,818
Tax effect of expenses that are not deductible in determining taxable profit	<b>230</b>	4
Tax effect of income that are not assessable in determining taxable profit	<b>(189)</b>	(114,110)
Tax effect of accelerated tax depreciation not previously recognised	<b>(51)</b>	–
Deferred tax assets not recognised	<b>3,174</b>	417
Effect of different tax rate of subsidiaries operating in other jurisdictions	<u>27</u>	<u>12</u>
Tax expense for the year	<u>–</u>	<u>141</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**8. TAXATION (Continued)**

At 31 March 2004, the Group has unprovided deferred tax assets of approximately HK\$4,050,000 (2003: HK\$417,000), primarily representing the tax effect of cumulative tax losses (subject to agreement by relevant tax authorities). The deferred tax assets have not been recognised due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

**9. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

The consolidated (loss)/profit attributable to shareholders includes a loss of approximately HK\$16,921,000 (2003: profit of HK\$721,800,000) dealt with in the financial statements of the Company.

**10. DIVIDENDS**

No dividends were paid or declared by the Company during the year (2003: HK\$Nil).

**11. (LOSS)/EARNINGS PER SHARE**

The basic (loss)/earnings per share is calculated based on the consolidated loss attributable to shareholders of HK\$18,439,000 (2003: profit of HK\$711,364,000) and the weighted average number of 885,539,516 ordinary shares (2003: 226,651,769 shares) in issue during the year. On 31 March 2004, every 10 shares of the Company of HK\$0.01 each was consolidated into 1 share of HK\$0.1 each. The comparative figures have been adjusted to take into account the consolidation.

As the exercise prices of warrants outstanding during the year are higher than the average market price of the Company's shares during the year, the diluted loss per share for the year ended 31 March 2004 is not presented because the impact of the options is anti-dilutive.

**12. RETIREMENT BENEFITS COSTS**

The retirement benefits costs charged to the income statement represent contributions payable by the Group to retirement benefits schemes.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**13. PROPERTY, PLANT AND EQUIPMENT****Group**

	<b>Leasehold improvements</b>	<b>Plant and machinery</b>	<b>Furniture and equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>					
At 1 April 2003	–	4,529	–	–	4,529
Exchange adjustment	–	83	–	–	83
Additions	364	39	119	2,089	2,611
Disposals	–	(192)	–	–	(192)
<b>At 31 March 2004</b>	<b><u>364</u></b>	<b><u>4,459</u></b>	<b><u>119</u></b>	<b><u>2,089</u></b>	<b><u>7,031</u></b>
<b>Depreciation/amortisation</b>					
At 1 April 2003	–	2,666	–	–	2,666
Exchange adjustment	–	49	–	–	49
Charge for the year	73	293	24	418	808
On disposals	–	–	–	–	–
<b>At 31 March 2004</b>	<b><u>73</u></b>	<b><u>3,008</u></b>	<b><u>24</u></b>	<b><u>418</u></b>	<b><u>3,523</u></b>
<b>Net book value</b>					
<b>At 31 March 2004</b>	<b><u>291</u></b>	<b><u>1,451</u></b>	<b><u>95</u></b>	<b><u>1,671</u></b>	<b><u>3,508</u></b>
At 31 March 2003	–	1,863	–	–	1,863

The carrying amount of the Group's motor vehicles included an amount of HK\$1,513,000 (2003: HK\$Nil) in respect of assets held under finance leases.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**14. INTERESTS IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>88</b>	88
Amounts due from subsidiaries	<b>81,678</b>	24
<i>Less: Provisions</i>	<b>(11,954)</b>	(89)
<b>At 31 March 2004/2003</b>	<b>69,812</b>	23

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms for repayment.

Particulars of the principal subsidiaries as at 31 March 2004 are as follows:

<b>Name</b>	<b>Place of incorporation/ operation</b>	<b>Nominal value of issued and fully paid/ registered capital</b>	<b>Percentage held by the</b>		<b>Principal activities</b>
			<b>Company</b>	<b>Group</b>	
Bright Focus Development Limited	British Virgin Islands	10,000 ordinary shares of US\$1 each	100%	100%	Investment holding
Crownville Development Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Investment holding
Crown Wealth Development Limited	Hong Kong	2 ordinary share of HK\$1 each	50%	100%	Investment holding
Gorient (Hong Kong) Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	100%	Investment holding
Great Champ Development Limited	Hong Kong	100 ordinary shares of HK\$1 each	99%	100%	Holding a motor vehicle
Innovative International (Holdings) Limited (formerly known as Autotenna (HK) Limited) <i>(see note (a) below)</i>	Hong Kong	100 ordinary shares of HK\$1 each	100%	100%	Dormant

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**14. INTERESTS IN SUBSIDIARIES (Continued)**

Name	Place of incorporation/ operation	Nominal value of issued and fully paid/ registered capital	Percentage held by the		Principal activities
			Company	Group	
Prime Year Investments Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	100%	Investment holding
Tianjin Guangying Automotive Mirror Company Limited <i>(see note (b) below)</i>	People's Republic of China	US\$500,000	–	50%	Manufacturing and trading of automotive components
Yinshau Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	100%	Investment holding and trading of electronic components

*Notes:*

- (a) On 11 April 2003, Autotenna (HK) Limited changed its name to Gorient (Holdings) Limited and on 25 June 2003, changed its name to Innovative International (Holdings) Limited.
- (b) Tianjin Guangying Automotive Mirror Company Limited ("Tianjin Guangying") has been consolidated since in the opinion of the Directors, the Group has the power to govern its financial and operating policies. The financial information included has been based on financial statements audited by the auditors of Tianjin Guangying in the People's Republic of China made up to 31 December 2003 and the management accounts made up to 31 March 2004.

**15. INTERESTS IN ASSOCIATES****Group**

	2004 HK\$'000	2003 HK\$'000
Share of net assets	(2,952)	–
Unamortised goodwill on acquisition	27,594	–
Loan due from associate	8,140	–
At 31 March 2004	<u>32,782</u>	<u>–</u>

In the opinion of the directors, the investment in associates is not less than the carrying value as shown in the balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**15. INTERESTS IN ASSOCIATES (Continued)**

Details of the associates are as follows:

Name of company	Place of incorporation	Percentage of equity shares held by the company		Principal activity
		directly	indirectly	
Intelligent Transport System Holdings Limited*	British Virgin Islands	–	50%	Investment holding
Intelligent Transport System Limited*	Hong Kong	–	50%	Trading of motor car alarm systems
Wide and Bright Limited*	British Virgin Islands	–	30%	Distribution, sale and sublicensing of distributorship right

\* Not audited by Moore Stephens.

**16. INTANGIBLE ASSETS****Group**

	HK\$'000
<b>Hived-down assets, at cost</b>	
At 1 April 2003 and at 31 March 2004	500
<b>Less: Accumulated amortisation</b>	
At 1 April 2003	50
Charge for the year	50
<b>At 31 March 2004</b>	<b>100</b>
<b>Net book value</b>	
<b>At 31 March 2004</b>	<b>400</b>
At 1 April 2003	450

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**17. INVESTMENTS IN SECURITIES****Group**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Investment in securities, at cost	950	–
Other investment	1,143	–
As 31 March 2004	<b>2,093</b>	–

Investment in securities made for the long-term with an identified strategy purpose represents:

Name of company	Place of incorporation	Percentage of equity shares held by the Company	Principal activity
Ice Red Limited	Hong Kong	8.8%	Community web site

Other investment held for long-term capital gain only represents:

Name of company	Place of incorporation	Percentage of equity shares held by the company	Principal activity
Bangkok Mass Transit System Public Company Limited	Thailand	0.05%	Operation of the elevated Mass Transit Railway in Bangkok

**18. OTHER INVESTMENTS****Group**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Shares listed in Hong Kong, at net realisable value	<b>7,811</b>	–

**19. INVENTORIES****Group**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Raw materials	333	130
Work in progress	36	13
Finished goods	380	118
<b>At 31 March 2004/2003</b>	<b>749</b>	261

The inventories are stated at net realisable value.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**20. TRADE DEBTORS, ADVANCES TO SUPPLIERS AND OTHER DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>3,582</b>	2,249	–	–
Advances to suppliers	<b>21,490</b>	–	–	–
Other receivables	<b>677</b>	961	<b>129</b>	–
<b>At 31 March 2004/2003</b>	<b>25,749</b>	3,210	<b>129</b>	–

HK\$17,350,000 of the advances to suppliers represent advances made to a certain third party supplier group in December 2003 and January 2004 in order to procure certain electronics components. As of the date of these financial statements approximately 60% of the order has been fulfilled (as at 31 March 2004: Nil), with the remaining 40% expected to be delivered by end of September 2004. No sales have been made to date. However, the directors are of the opinion that these delivered inventories together with the unfulfilled order will be subsequently realised in excess of their cost.

As at 31 March 2004, the ageing analysis of the trade receivables was as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Within 3 months	<b>1,787</b>	1,609	–	–
4 to 6 months	<b>170</b>	–	–	–
Over 6 months	<b>1,625</b>	640	–	–
<b>At 31 March 2004/2003</b>	<b>3,582</b>	2,249	–	–

The normal credit period granted to trade debtors is 30 to 90 days.

**21. OTHER LOAN**

Other loan represents an amount advanced by a third party and bears monthly interest of 1.5%. It is secured by a director and is repayable within twelve months. It is fully repaid by the Group after the year end.

**22. DUE FROM/(TO) RELATED COMPANIES (GROUP)**

The amounts due from/(to) related companies are unsecured, interest free and there are no fixed terms for repayment.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**23. TRADE AND OTHER PAYABLES**

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Trade payables	3,148	3,275	–	–
Other payables and accruals	3,082	3,997	1,068	3,150
<b>At 31 March 2004/2003</b>	<b>6,230</b>	<b>7,272</b>	<b>1,068</b>	<b>3,150</b>

As at 31 March 2004, the ageing analysis of the trade payables was as follows:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within 3 months	3,148	3,275	–	–
4 to 6 months	–	–	–	–
Over 6 months	–	–	–	–
<b>At 31 March 2004/2003</b>	<b>3,148</b>	<b>3,275</b>	<b>–</b>	<b>–</b>

The normal credit period granted by trade creditors is 30 to 90 days.

**24. FINANCE LEASE OBLIGATION**

The future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments	Present value of minimum lease payments
	2004 HK\$'000	2004 HK\$'000
Amounts payable under finance lease:		
Within one year	414	376
In the second to fifth years inclusive	1,378	1,253
	<b>1,792</b>	<b>1,629</b>
Less: Future finance charges	(163)	–
Present value of lease obligation	<b>1,629</b>	<b>1,629</b>
Less: Amount due for settlement within 12 months (shown under current liabilities)		(376)
Amount due for settlement after 12 months		<b>1,253</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**25. SHAREHOLDER'S LOAN (GROUP AND COMPANY)**

The shareholder's loan was unsecured, interest free and not repayable within the next twelve months. It was fully repaid during the year.

**26. SHARE CAPITAL**

	2004 HK\$'000	2003 HK\$'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.10 each (2003:10,000,000,000 ordinary shares of HK\$0.01 each)	<b>300,000</b>	100,000
Issued and fully paid:		
1,258,127,016 ordinary shares of HK\$0.10 each (2003: 7,328,951,979 ordinary shares of HK\$0.01 each)	<b>125,813</b>	73,290

**(a) Changes in authorised share capital**

By an ordinary resolution passed at special general meeting held on 2 February 2004, the Company's authorised share capital was increased to HK\$300,000,000 by the creation of an additional 20,000,000,000 ordinary shares of HK\$0.01 each, ranking pari passu with the existing shares of the Company.

On 30 March 2004, a resolution was passed to consolidate 10 ordinary shares of HK\$0.01 each into 1 ordinary share of HK\$0.1 each.

**(b) Changes in issued share capital**

On 4 September 2003, the Company issued 312,500,000 ordinary shares of HK\$0.01 each to six Convertible Bond Holders at a conversion price of HK\$0.016.

From 4 September 2003 to 28 February 2004, the Company issued 1,422,000,000 ordinary shares of HK\$0.01 each at par value to the holders of the Company's warrants.

On 31 October 2003, the Company issued 56,000,000 ordinary shares of HK\$0.01 each at a premium of HK\$0.02 each in order to acquire an investment.

On 16 December 2003, the Company issued 1,200,000,000 ordinary shares of HK\$0.01 at a premium or HK\$0.02 each to placing agent for the purpose of providing additional working capital for the Group.

On 10 February 2004, the Company issued 2,080,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.0168 each to CITIC International Assets Management Limited in order to both finance the expansion of operations and provide additional working capital for the Group.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**26. SHARE CAPITAL (Continued)****(b) Changes in issued share capital (Continued)**

On 1 March 2004, the Company issued 181,818,182 ordinary shares of HK\$0.01 each at a price of HK\$0.0112 each as partial consideration for the acquisition of an associate.

All the new ordinary shares issued during the year ranked pari passu in all respects with the existing ordinary shares of the Company.

**(c) Repurchases of shares**

No shares were repurchased during the year ended 31 March 2004.

**27. RESERVES****Group**

	Share premium HK\$'000	Exchange reserve HK\$'000	Capital redemption reserve HK\$'000	Enterprises development reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Company and subsidiaries	–	201	1,868	803	(77,014)	(74,142)
Associates	–	–	–	–	–	–
At 1 April 2003	–	201	1,868	803	(77,014)	(74,142)
Issue of new shares	31,109	–	–	–	–	31,109
Exchange differences on translation of the financial statements of a foreign subsidiary	–	34	–	–	–	34
Loss for the year	–	–	–	–	(18,439)	(18,439)
<b>At 31 March 2004</b>	<b>31,109</b>	<b>235</b>	<b>1,868</b>	<b>803</b>	<b>(95,453)</b>	<b>(61,438)</b>
Company and subsidiaries	31,109	235	1,868	803	(95,235)	(61,220)
Associates	–	–	–	–	(218)	(218)
<b>At 31 March 2004</b>	<b>31,109</b>	<b>235</b>	<b>1,868</b>	<b>803</b>	<b>(95,453)</b>	<b>(61,438)</b>

NOTES TO THE FINANCIAL STATEMENTS (*Continued*) For the year ended 31 March 200427. RESERVES (*Continued*)

## Group

	Share premium	Exchange reserve	Capital redemption reserve	Enterprises development reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company and subsidiaries	445,895	(453)	1,868	803	(1,195,531)	(747,418)
Associates	–	–	–	–	(96,356)	(96,356)
At 1 April 2002	445,895	(453)	1,868	803	(1,291,887)	(843,774)
Capital reduction	–	–	–	–	57,614	57,614
Cancellation of share premium	(445,895)	–	–	–	445,895	–
Exchange differences on translation of the financial statements of a foreign subsidiary	–	10	–	–	–	10
Exchange differences arising on deconsolidation of subsidiaries	–	644	–	–	–	644
Profit for the year	–	–	–	–	711,364	711,364
At 31 March 2003	–	201	1,868	803	(77,014)	(74,142)
Company and subsidiaries	–	201	1,868	803	(77,014)	(74,142)
Associates	–	–	–	–	–	–
At 31 March 2003	–	201	1,868	803	(77,014)	(74,142)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**27. RESERVES (Continued)****Company**

	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Capital redemption reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2002 and 1 April 2002	445,895	79,723	1,868	(1,302,803)	(775,317)
Capital reduction	–	–	–	57,614	57,614
Cancellation of share premium	(445,895)	–	–	445,895	–
Profit for the year	–	–	–	721,800	721,800
Deconsolidation of subsidiaries	–	(79,723)	–	–	(79,723)
At 31 March 2003 and 1 April 2003	<u>–</u>	<u>–</u>	<u>1,868</u>	<u>(77,494)</u>	<u>(75,626)</u>
Issue of new shares	31,109	–	–	–	31,109
Loss for the year	–	–	–	(16,921)	(16,921)
<b>At 31 March 2004</b>	<b><u>31,109</u></b>	<b><u>–</u></b>	<b><u>1,868</u></b>	<b><u>(94,415)</u></b>	<b><u>(61,438)</u></b>

The Company has no reserves available for distribution as at 31 March 2004 (2003: HK\$Nil).

**28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT****Disposal of subsidiaries**

	<b>2004 HK\$'000</b>	2003 HK\$'000
Net liabilities disposed of:		
Property, plant and equipment	–	19,407
Trade and other receivables	–	2,265
Trade and other payables	<b>(24)</b>	(88,114)
Provision for tax	–	(704)
Minority interests	–	(5,515)
	<b>(24)</b>	(72,661)
Satisfied by:		
Cash	–	(19,457)
<b>Gain on disposal/deconsolidation of subsidiaries</b>	<b><u>(24)</u></b>	<b><u>(92,118)</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**29. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION****(a) Directors' remuneration**

The aggregate amounts of emoluments payable to the Directors of the Company during the year are as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Fees		
Executive directors	–	114
Non-executive directors	–	114
Independent non-executive directors	–	174
	–	402
Other emoluments for directors		
Salaries and other benefits	<b>2,910</b>	60
Retirement benefits scheme contributions	<b>21</b>	–
	<b>2,931</b>	60
	<b>2,931</b>	462

The emoluments of the Directors fell within the following bands:

<b>Emoluments bands</b>	<b>Number of Directors</b>	
	<b>2004</b>	2003
HK\$Nil – HK\$1,000,000	<b>3</b>	14
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	<b>1</b>	–

During the year, no share options were granted to the Directors.

During the year, no Directors waived remuneration and no emoluments of the Directors were incurred as an inducement to join or upon joining the Company or as compensation for loss of office.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**29. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)****(b) Five highest paid individuals**

The five highest paid individuals of the Group for the year ended 31 March 2004 included three (2003: one) executive directors, nil (2003: two) non-executive director and nil (2003: two) independent non-executive director, details of whose emoluments are set out above. The emoluments of the remaining two employees for the year ended 31 March 2004 were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	219	–
Retirement benefits scheme contributions	11	–
	<b>230</b>	–

The emoluments were within the following bands:

Emoluments bands	Number of individuals	
	2004	2003
HK\$Nil – HK\$1,000,000	2	–
HK\$1,000,000 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	–	–

**30. SHARE OPTION SCHEME**

On 30 March 2004, a share option scheme (the "Scheme") was approved and adopted by the shareholders of the Company with purpose to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, which will be effective for ten years until 29 March 2014.

Pursuant to the Scheme, the board of directors of the Company may at any time within ten years from the adoption date, offer any eligible participant (including any executive director of the Company or any of its subsidiaries) options to subscribe for shares in the Company at a price not less than the highest of:

- (i) The closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for trades in one or more board lots of shares on the offer date;
- (ii) The average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (iii) The nominal value of the shares of the Company on the date of grant.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**30. SHARE OPTIONS SCHEME (Continued)**

The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and not yet exercised under the Scheme and any other share option scheme of the Group shall not exceed 30% of the shares capital of the Company in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of approval of the Scheme. The maximum entitlement of each participant in any twelve month period under the Scheme shall not exceed 1% of the issued shares capital of the Company for the time being.

Each grant of options to any director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors. In addition, any grant of options to a substantial shareholder or an independent non-executive director, or any of their respective associates, would result in the shares issuable upon exercise of all options granted and to be granted to such person in the twelve month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares quoted on the Stock Exchange on the date of grant) in excess of HK\$5 million, such further grant of options shall be subject to approval by the shareholders in general meeting.

Options granted must be taken up within 21 days from the date of grant, upon payment of the consideration of HK\$1 per each grant of option. The exercise period of the options is determinable by the directors, and shall expire not later than ten years from the date of grant. The Scheme does not specify the requirement as to minimum period for which an option must be held.

As at the date of this report, options carrying the rights to subscribe for up to a total of 115,860,000 shares had been granted under the Share Option Scheme since its adoption. All these options were granted in accordance with the terms and restrictions of the Share Option Scheme. A breakdown of such grant is given below:

- (1) options carrying the right to subscribe for a total of 12,000,000 Shares were granted to a Director;
- (2) options carrying the right to subscribe for 16,760,000 Shares were granted to the employees; and
- (3) options carrying the right to subscribe for 87,100,000 Shares were granted to advisers and suppliers of the Group.

All the above grantees of the options fall within the category of eligible participants under the Share Option Scheme. The Directors confirm that the grant of options to the above grantees was in accordance with the rules of the Share Option Scheme and the relevant requirements of the Listing Rules. Save for the Directors, none of these grantees is a connected person of the Company.

As at the date of this report, (i) a total number of 50,120,000 shares had been issued pursuant to the exercise of options granted under the Share Option Scheme and (ii) none of these options had lapsed nor been cancelled and (iii) the total number of shares which may fall to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme is 65,740,000 shares (representing approximately 52.25% of the initial 10% General Limit).

**NOTES TO THE FINANCIAL STATEMENTS (Continued)** For the year ended 31 March 2004**31. COMMITMENTS UNDER OPERATING LEASES**

At the balance sheet date, the Group had outstanding minimum commitments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Operating leases which expire:		
Within one year	<b>340</b>	334
Two to five years	<b>425</b>	752
	<b>765</b>	1,086

**32. RELATED PARTY TRANSACTIONS**

The following is a summary of significant related party transactions during the year.

	<i>Notes</i>	<b>Group</b>	
		<b>2004</b>	2003
		<b>HK\$'000</b>	HK\$'000
Consultancy and professional fees paid to a related company	<i>a</i>	<b>111</b>	45
Fixed assets purchased from a related company	<i>b</i>	<b>350</b>	–
Management fee paid to a related company	<i>c</i>	–	900
Professional fee paid to a related company	<i>d</i>	<b>500</b>	–
Recharged operating expenses received from a related company	<i>e</i>	<b>931</b>	–
Salaries and MPF paid to a connected person	<i>f</i>	<b>178</b>	–

*Notes:*

- (a) Fees paid for consultancy and company secretarial services rendered by a related company.
- (b) Fixed assets were purchased from a related company on normal commercial terms.
- (c) Management fee paid for administrative services obtained and overheads incurred on behalf of the Group for normal daily operations.
- (d) Fee paid for advices on various investment strategies provided by a related company.
- (e) Recharged operating expenses received from a related company represents administrative services provided by the Group and were reimbursed at cost.
- (f) Salaries paid to a connected person for her employment with a subsidiary.

**33. POST BALANCE SHEET EVENT**

On 20 April 2004, Convertible Bonds were issued in the principal amount of HK\$18,000,000. The Convertible Bonds entitle the holders thereof to subscribe for 100,000,000 shares at a subscription price of HK\$0.18 per share. Up to the date of these financial statements, HK\$2,000,000 Convertible Bonds had been converted into 11,111,111 shares.

**34. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were authorized and approved for issue by the board of Directors on 26 July 2004.