For the year ended 31 March 2002

1. GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are design, marketing, manufacture and trading of consumer electronic and telecommunication products, provision of sub-contracting services, property investment and development. The Group ceased its operations of manufacture and trading of telecommunication products with effect from September 2001. The directors consider the ultimate holding company to be Sino-i.com Limited ("Sino-i"), a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

For the year ended 31 March 2002, the Group attained a net profit attributable to shareholders of HK$52,152,000 mainly due to liabilities waived by unsecured creditors of HK$89,779,000 (as described in note 5 below) and gain on deemed partial disposal of a subsidiary of HK$20,000,000 (as described in note 4(c) below). The Group's operations of design, marketing, manufacture and trading of consumer electronic and telecommunication products and provision of sub-contracting services were, however, loss-making.

The financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group had net current liabilities of HK$507,593,000 as at 31 March 2002. In the opinion of the directors, the Group will have sufficient working capital to continue its operations in the coming year as the Group is currently negotiating with its bankers to extend and re-schedule the repayment terms of certain bank loans and is also in the course of discussion with one of its bankers to apply for additional credit facilities. The directors anticipate that the Group will be able to maintain the existing credit facilities and also obtain additional credit facilities from its bankers. Accordingly, the financial statements have been prepared on a going concern basis.

For the year ended 31 March 2002

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

Should the Group be unable to generate positive cash flows, the Group might not be able to continue in business as a going concern. Accordingly, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

The financial statements on pages 18 to 78 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

Change of financial year end date

With effect from the last period, the Company and its subsidiaries changed their financial year end date from 31 December to 31 March. The comparative figures in the consolidated income statement and the consolidated cash flow statement and the related notes presented therefore cover a fifteen-month period from 1 January 2000 to 31 March 2001 and are not directly comparable.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

Adoption of new/revised SSAPs

In the current year, the Group has adopted, for the first time, the following SSAPs issued by the Hong Kong Society of Accountants.

SSAP 14 (Revised) – Leases

The adoption of SSAP 14 (Revised) has not resulted in any significant changes to the accounting treatment adopted for leases and accordingly, no prior year adjustment is required. Disclosure for the Group's leasing arrangements has been modified so as to comply with the new requirements of SSAP 14 (Revised). Comparative amounts have been restated to achieve a consistent presentation.

SSAP 26 – Segment reporting

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks and returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures, which are set out in note 3 to the financial statements.

SSAP 29 – Intangible assets

In adopting SSAP 29 the Group has reviewed its accounting policy to ensure that its existing intangible assets fulfil the recognition criteria as required in SSAP 29. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements. The SSAP does, however, require that impairment losses on intangible assets are aggregated with the accumulated amortisation, whereas previously they would have been deducted from the cost of the relevant asset.

For the year ended 31 March 2002

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

SSAP 30 – Business combinations

In prior years, negative goodwill arising on the consolidation of subsidiaries and on acquisition of associates is eliminated against/taken to reserves in the year in which it arises. On disposal of a subsidiary or an associate, the attributable amount of goodwill/capital reserve is included in calculating the profit or loss on disposal. Positive goodwill arising on the consolidation of subsidiaries is recognised as an asset and amortised by equal annual instalments over its estimated useful economic life.

The Group has taken advantage of the transitional provisions in SSAP 30 which do not require restatement of positive/negative goodwill taken to reserves prior to 1 April 2001 and there is no financial effect to the Group for the prior years. Any impairment arising on such goodwill is required to be accounted for in accordance with the newly issued SSAP 31 "Impairment of assets" retrospectively.

SSAP 31 – Impairment of assets

In adopting SSAP 31 the Group has assessed its assets to see if there is any indication of impairment 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 impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

SSAP 32 – Consolidated financial statements and accounting for investments in subsidiaries

The adoption of SSAP 32 has not resulted in any significant changes in accounting policy and no prior year adjustment is considered necessary.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year. All material intercompany transactions and balances within the Group are eliminated on consolidation.

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. The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or negative goodwill which was not previously charged or recognised in the consolidated income statement.

The financial statements also include the Group's share of post-acquisition results and reserves of its associates and jointly controlled entities.

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

(c) Subsidiaries

Subsidiaries are those enterprises controlled by the Company.

Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

In the Company's balance sheet, subsidiaries are carried at cost less impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

(d) Associates

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

The results of the associates are accounted for by the Group using the equity method of accounting. The Group's interest in associates is stated at its share of net assets of the associates.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Associates (Continued)

An assessment of interest in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates except where unrealised losses provide evidence of an impairment of the asset transferred.

(e) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's interest in jointly controlled entities is recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

(f) Goodwill

Goodwill arising on acquisition represents the excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life for a period of not exceeding twenty years.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and the relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Goodwill (Continued)

Negative goodwill

Negative goodwill arising on acquisition represents the excess of the fair value of the identifiable assets and liabilities acquired over the cost of acquisition.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair value of the non-monetary assets acquired, is recognised as income on a systematic basis over the remaining weighted average useful life of those acquired depreciable/amortisable assets. Negative goodwill in excess of the fair value of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

(g) Property, plant and equipment

(i) Depreciation

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Moulds and tools	25%-33%
Machinery and equipment	25%-33%
Furniture and fixtures	20%-33%
Motor vehicles	25%-33%
Computers	25%-33%
Buildings	Over the shorter of the terms of the leases or estimated useful lives. The principal annual rates used for this purpose range from 1.7% to 4%.
Leasehold improvements	Over the shorter of the terms of the leases or estimated useful lives. The principal annual rates used for this purpose range from 1.7% to 4%.

Leasehold land is amortised over the remaining unexpired periods of the leases, including the renewal periods or their estimated useful lives to the Group, whichever are shorter. The principal annual rate used for this purpose is 2.5%.

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

(ii) Measurement bases

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

Advantage has been taken of the transitional relief provided by SSAP 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 19 March 1993, and accordingly no further revaluation of land and buildings is carried out. In previous years, the surplus arising on the revaluation of these assets was credited to the property revaluation reserve.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement. Any revaluation surplus relating to the assets under disposal is transferred to retained profits/accumulated losses.

(h) Leases

(i) Finance leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets to the Group. Assets acquired by way of finance leases are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the leases. The corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Finance charges implicit in the lease payments are charged to the income statement over the periods of the leases so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Leases (Continued)

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(i) Land held for development

Land held for development is stated at cost less impairment losses. Cost includes acquisition costs, development expenditure, interest and other direct costs attributable to the development.

(j) Property development projects

The Group's interests in property development projects are stated at cost, which comprises development costs contributed towards the projects and other incidental costs, less impairment losses, if any. The results of the projects are recognised in the financial statements to the extent of distributions received.

(k) Inventories

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

(l) Deferred tax/Future tax benefits

Deferred tax is provided, using the liability method, on all significant timing differences, other than those which are not expected to crystallise in the foreseeable future.

Future tax benefit is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

For the year ended 31 March 2002

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Translation of foreign currencies

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

The financial statements of subsidiaries, associates and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Gains and losses arising on exchange are dealt with as a movement in exchange reserve.

(n) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(o) Product development costs

Costs incurred on projects in developing new products, including the respective cost of acquiring the rights to technical know-how for the production of the relevant new products, will be capitalised and deferred only when the project is clearly defined, the costs are separately identifiable and there is reasonable certainty that the project is technically feasible and the outcome will be of commercial value. Product development costs which do not meet these criteria are expensed when incurred.

Product development costs are amortised, using the straight line method, over their estimated commercial lives of not more than three years commencing in the year when the product is put into commercial use. When the circumstances which have justified the deferral of the costs no longer apply, or are considered doubtful, the costs, to the extent to which they are considered to be irrecoverable, will be written off immediately to the income statements.

(p) Convertible notes

Convertible notes are stated at the aggregate amount of proceeds received from the issue. The direct issuing costs are taken to the income statement in the year of issue. In the event that the notes are converted, the amount recognised in respect of the shares issued upon conversion is the principal amount at which the liability of the notes is stated as at the date of conversion.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the relevant asset is carried at revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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 assets. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(r) Borrowing costs

Borrowing costs are charged to the income statement in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition and development of properties or land which necessarily take a substantial period of time to complete.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash in hand and amounts repayable on demand with banks and short-term highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

(t) Segment reporting

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

(u) 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 title has passed.

Sub-contracting income is recognised as revenue when the agreed services are provided.

Interest income is recognised on a time proportion basis.

(v) 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.

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in design, marketing, manufacture and trading of consumer electronic products and telecommunication products, provision of sub-contracting services, property investment and development. Turnover represents the invoiced value of goods supplied to customers and income from provision of sub-contracting services, after eliminating inter-company transactions. The Group ceased its operations of manufacture and trading of telecommunication products with effect from September 2001 and accordingly, the manufacture and trading operations in telecommunication products of the Group were treated as discontinued operations. No turnover was recorded for property investment and development activities during the year.

	1 April 2001 to 31 March 2002	1 January 2000 to 31 March 2001
	HK$'000	*HK$'000*
Turnover		
Continuing operations		
– Sale of goods	**147,104**	519,974
– Sub-contracting income	**64,648**	–
Discontinued operation		
– Sale of goods	**3,586**	155,422
	215,338	675,396

The Group's telecommunication business segment was discontinued with effect from September 2001.

Discontinued operation - Telecommunication business

	1 April 2001 to 31 March 2002	1 January 2000 to 31 March 2001
	HK$'000	*HK$'000*
Turnover	**3,586**	155,422
Operating loss	**6,584**	85,984
Liabilities waived by unsecured creditors	**8,429**	–

3. TURNOVER AND SEGMENT INFORMATION (Continued)

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segments format: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

(i) Consumer packaged electronics

(ii) Electronic manufacturing services

(iii) Telecommunication products

(iv) Property development

(v) Online distance learning education services

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

There were no intersegment sales and transfers during the year.

3. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments.

	Consumer packaged electronics		Telecommunication products		Electronic manufacturing services		Online distance learning education services		Property development		Others		Total	
	1 April 2001 to 31 March 2002 HK$'000	1 January 2000 to 31 March 2001 *HK$'000*	**1 April 2001 to 31 March 2002 HK$'000**	1 January 2000 to 31 March 2001 *HK$'000*	**1 April 2001 to 31 March 2002 HK$'000**	1 January 2000 to 31 March 2001 *HK$'000*	**1 April 2001 to 31 March 2002 HK$'000**	1 January 2000 to 31 March 2001 *HK$'000*	**1 April 2001 to 31 March 2002 HK$'000**	1 January 2000 to 31 March 2001 *HK$'000*	**1 April 2001 to 31 March 2002 HK$'000**	1 January 2000 to 31 March 2001 *HK$'000*	**1 April 2001 to 31 March 2002 HK$'000**	1 January 2000 to 31 March 2001 *HK$'000*
Segment revenue:														
Sales to external customers	**147,104**	280,547	**3,586**	155,422	**64,648**	239,427	**-**	-	**-**	-	**-**	-	**215,338**	675,396
Segment results	**(40,497)**	(179,684)	**(7,004)**	(86,013)	**(2,271)**	8,267	**-**	(348,207)	**4,580**	-	**-**	-	**(45,192)**	(605,637)
Interest income													**316**	453
Gain on waiver of amount due to a creditor											4,989		**4,989**	-
Gain on disposal of an associate													**115**	-
Gain on deemed pantial disposal of a subsidiary	**13,663**		**333**		**6,004**								**20,000**	-
Liabilities waived by unsecured creditors	**81,350**		**8,429**										**89,779**	-
Finance costs													**(17,304)**	(22,617)
Share of losses of a joint venture		(1,635)											**-**	(1,635)
Share of losses of an associate		(572)							**(403)**				**(403)**	(572)
Profit/(Loss) before taxation													**52,300**	(630,008)
Taxation													**(148)**	(453)
Profit/(Loss) after taxation													**52,152**	(630,461)
Minority interests													**-**	2,000
Profit/(Loss) attributable to shareholders													**52,152**	(628,461)
Segment assets	**42,667**	58,648	**384**	10,298	**90,955**	115,170	**-**	106,167	**3,372,157**	-	**27,046**	34,868	**3,533,209**	325,151
Interest in an associate	**-**	328	**-**	-	**-**	-	**-**	-	**209,597**	-	**-**	-	**209,597**	328
Total assets	**42,667**	58,976	**384**	10,298	**90,955**	115,170	**-**	106,167	**3,581,754**	-	**27,046**	34,868	**3,742,806**	325,479
Segment liabilities	**20,556**	81,460	**2,357**	8,335	**13,359**	174,155	**-**	1,289	**358,212**	-	**73,804**	13,114	**468,288**	278,353
Loan liabilities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**919,015**	73,629
Total liabilities	**20,556**	81,460	**2,357**	8,335	**13,359**	174,155	**-**	1,289	**358,212**	-	**73,804**	13,114	**1,387,303**	351,982
Other segment information:														
Capital expenditure	**13,269**	27,401	**-**	6,861	**928**	12,505	**-**	3,774	**353,304**	-	**-**	5,880	**367,501**	56,421
Depreciation	**8,112**	8,305	**175**	4,183	**6,705**	7,105	**-**	1,036	**6**	-	**1,623**	2,518	**16,621**	23,147
Amortization of product development cost	**5,127**	11,659	**-**	4,132	**-**	-	**-**	-	**-**	-	**-**	-	**5,127**	15,791
Amortization of goodwill	**-**	-	**-**	-	**-**	-	**-**	21,642	**78**	-	**-**	-	**78**	21,642
Negative goodwill recognlized as income	**-**	-	**-**	-	**-**	-	**-**	-	**(10,566)**	-	**-**	-	**(10,566)**	-

3. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's geographical segments.

	Europe		United States of America/Canada		Asia		Total	
	1 April 2001 to 31 March 2002	1 January 2000 to 31 March 2001	**1 April 2001 to 31 March 2002**	1 January 2000 to 31 March 2001	**1 April 2001 to 31 March 2002**	1 January 2000 to 31 March 2001	**1 April 2001 to 31 March 2002**	1 January 2000 to 31 March 2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**31,261**	306,305	**77,954**	99,850	**106,123**	269,241	**215,338**	675,396
Segment results	**(14,471)**	(183,985)	**(21,240)**	(62,728)	**(9,481)**	(358,924)	**(45,192)**	(605,637)

	United Kingdom/ North America/Europe		Hong Kong		People's Republic of China ("PRC")		Total	
	1 April 2001 to 31 March 2002	1 January 2000 to 31 March 2001	**1 April 2001 to 31 March 2002**	1 January 2000 to 31 March 2001	**1 April 2001 to 31 March 2002**	1 January 2000 to 31 March 2001	**1 April 2001 to 31 March 2002**	1 January 2000 to 31 March 2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Segment assets	**10,966**	27,917	**59,131**	182,392	**3,672,709**	115,170	**3,742,806**	325,479
Capital expenditure	**252**	1,318	**13,019**	38,824	**354,230**	16,279	**367,501**	56,421

4(a). OPERATING LOSS

Operating loss is stated after (crediting)/charging the following:

	1 April 2001 to 31 March 2002 *HK$'000*	1 January 2000 to 31 March 2001 *HK$'000*
Amortisation of product development costs	**5,127**	15,791
Write-off of product development costs	**917**	13,255
Amortisation of goodwill	**78**	21,642
Write-off of goodwill	–	316,078
Auditors' remuneration	**2,170**	1,881
Cost of inventories recognised as expense	**199,951**	747,553
Depreciation on		
– owned property, plant and equipment	**15,975**	22,340
– leased property, plant and equipment	**646**	807
Loss/(Gain) on disposal of property, plant and equipment	**6,155**	(19)
Operating lease charges on land and buildings	**2,229**	4,581
Provision for bad and doubtful debts	**12,881**	35,163
Provision for impairment in value of an associate	**–**	1,867
Provision for impairment in value of a joint venture	**–**	3,929
Provision for slow-moving and obsolete inventories	**–**	76,263
Redundancy cost	**782**	3,631
Staff costs (including directors' emoluments)	**25,793**	68,128

For the year ended 31 March 2002

4(b). OTHER REVENUE

	1 April 2001 to 31 March 2002	1 January 2000 to 31 March 2001
	HK$'000	*HK$'000*
Interest income	**316**	453
Exchange gain	**1,011**	626
Negative goodwill recognised as income	**10,566**	–
Gain on waiver of amount due to a creditor	**4,989**	–
Gain on disposal of an associate	**115**	–
	16,997	1,079

4(c). GAIN ON DEEMED PARTIAL DISPOSAL OF A SUBSIDIARY

Pursuant to a share placement agreement dated 31 July 2001, 20,000,000 shares of HK1.00 each in Team Industrial Company Limited ("TIC"), a then wholly-owned subsidiary of the Company, were allotted and issued to Pacific Gloria Limited, an independent third party, at a cash consideration of HK$20,000,000. The shares issued represented 35% of the enlarged share capital and rank pari passu with the then existing shares of TIC. This transaction resulted in a gain on deemed partial disposal of a subsidiary of HK$20,000,000.

4(d). FINANCE COSTS

	1 April 2001 to 31 March 2002	1 January 2000 to 31 March 2001
	HK$'000	*HK$'000*
Interest on convertible notes	**6,125**	–
Interest on bank loans and overdrafts	**23,188**	22,277
Interest on finance leases	**148**	340
Total interest	**29,461**	22,617
Less: Amounts capitalized under land held for development	**(12,157)**	–
	17,304	22,617

5. LIABILITIES WAIVED BY UNSECURED CREDITORS

During the year, the Group entered into a Scheme of Arrangement with the unsecured creditors of Team Concepts Manufacturing Limited ("TCM"), a then wholly-owned subsidiary of the Company, pursuant to which the Group's liabilities due to these unsecured creditors were discharged by the following:

– payment of cash totalling HK$116,000;
– issue by the Company of 106,531,974 shares of HK$0.10 each in the Company, credited as fully paid at par; and
– issue by the Company of convertible debentures of an aggregate amount of HK$10,653,000 in value.

The Scheme of Arrangement, details of which are set out in a circular issued by TCM dated 13 June 2001 and an announcement issued by the Company dated 5 October 2001, resulted in a total gain of approximately HK$89,779,000.

6. TAXATION

	1 April 2001 to 31 March 2002	1 January 2000 to 31 March 2001
	HK$'000	*HK$'000*
Overseas tax	**148**	453

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any assessable profit for the year/period.

Overseas tax is provided in accordance with the legislation and tax rates prevailing in the respective overseas countries.

7. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit/(loss) attributable to shareholders, a loss of HK$48,874,000 (period from 1 January 2000 to 31 March 2001: HK$616,048,000) is dealt with in the financial statements of the Company.

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders for the year of HK$52,152,000 (period from 1 January 2000 to 31 March 2001: loss of HK$628,461,000) and on the weighted average of 23,107,221,372 (period from 1 January 2000 to 31 March 2001: 3,414,493,507) ordinary shares in issue during the year/period.

As the impact of exercise of the convertible notes is anti-dilutive, the dilutive earnings per share for the year ended 31 March 2002 is not presented. Fully dilutive loss per share for the period ended 31 March 2001 has not been shown as there were no outstanding convertible notes as at 31 March 2001.

9. RETIREMENT BENEFIT COSTS

Before 1 December 2000, the Group operates a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The rate of contribution payable by the Group is 5% of the individual employees' monthly basic salaries. The Group's contributions under the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme Ordinance"). With effect from 1 December 2000, a new scheme (the "MPF Scheme") was also set up under the MPF Scheme Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, pension scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% on their monthly basic salaries whereas the Group's monthly contribution will be 5% of relevant income with a maximum monthly contribution of HK$1,000.

The subsidiaries operating in The People's Republic of China (the "PRC") are required to participate in defined contribution retirement schemes, organised by the relevant local government authorities. They are required to make contributions to the retirement schemes at a rate of 13 to 19 per cent of basic salary of their employees and there are no other further obligations to the Group during the year.

9. RETIREMENT BENEFIT COSTS (Continued)

Contributions to the ORSO Scheme and the MPF Scheme charged to the consolidated income statement for the year amounted to HK$13,000 (period from 1 January 2000 to 31 March 2001: HK$1,154,000). Forfeited contributions in respect of the ORSO Scheme of approximately HK$756,000 (period from 1 January 2000 to 31 March 2001: HK$616,000) were utilised during the year leaving HK$Nil (2001: HK$Nil) available as at 31 March 2002 to reduce future contributions.

Contributions totalling HK$20,000 (2001: HK$51,000) payable to the ORSO Scheme and the MPF Scheme at 31 March 2002 are included in other payables.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments and fees disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the provisions of the Listing Rules are as follows:

	1 April 2001 to 31 March 2002 *HK$'000*	1 January 2000 to 31 March 2001 *HK$'000*
Fees	**18**	83
Other emoluments:		
– basic salaries, other allowances and benefits in kind	**–**	1,886
	18	1,969

Independent non-executive directors received HK$18,000 from the Group during the year (period from 1 January 2000 to 31 March 2001: HK$83,000).

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The number of the directors whose emoluments fall within the following bands is as follows:

	Number of directors			
	Executive directors		Non-executive directors	
	1 April 2001 to 31 March 2002	1 January 2000 to 31 March 2001	**1 April 2001 to 31 March 2002**	1 January 2000 to 31 March 2001
HK$Nil – HK$1,000,000	**5**	14	**4**	2

No directors waived or agreed to waive any emoluments in respect of the year ended 31 March 2002 and the period from 1 January 2000 to 31 March 2001.

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, none (period ended 31 March 2001:one) is the director of the Company. The five (period ended 31 March 2001: four) highest paid individuals are senior management of the Group. The aggregate amount of the individuals whose emoluments have not been disclosed in directors' emoluments noted above is as follows:

	1 April 2001 to 31 March 2002 ***HK$'000***	1 January 2000 to 31 March 2001 *HK$'000*
Basic salaries, other allowances and benefits in kind	**3,700**	4,845
Pension contributions	**132**	184
	3,832	5,029

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals (Continued)

The number of the above individuals whose emoluments fall within the following bands is as follows:

	Number of individuals	
	1 April 2001 to 31 March 2002	1 January 2000 to 31 March 2001
HK$Nil – HK$1,000,000	**4**	–
HK$1,000,001 – HK$1,500,000	**1**	4
	5	4

During the year ended 31 March 2002 and the period from 1 January 2000 to 31 March 2001 , no emoluments were paid to the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

For the year ended 31 March 2002

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Moulds and tools HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
Cost or valuation								
At 1 April 2001	99,111	16,104	59,190	61,880	10,072	3,049	15,822	265,228
Acquisition of subsidiaries	–	–	–	44	15	–	29	88
Disposal of a subsidiary	–	(1,880)	–	(102)	(1,544)	–	(1,783)	(5,309)
Additions	–	860	6,886	186	18	96	77	8,123
Disposals	(11,861)	(90)	(17,658)	(5,753)	(1,052)	(96)	(924)	(37,434)
At 31 March 2002	**87,250**	**14,994**	**48,418**	**56,255**	**7,509**	**3,049**	**13,221**	**230,696**
Accumulated depreciation								
At 1 April 2001	16,503	13,744	46,197	47,093	8,074	2,755	13,013	147,379
Acquisition of subsidiaries	–	–	–	34	5	–	2	41
Disposal of a subsidiary	–	(376)	–	(16)	(328)	–	(416)	(1,136)
Charge for the year	2,097	560	6,233	6,561	323	34	813	16,621
Disposals	(2,005)	(90)	(17,057)	(5,657)	(725)	–	(858)	(26,392)
At 31 March 2002	**16,595**	**13,838**	**35,373**	**48,015**	**7,349**	**2,789**	**12,554**	**136,513**
Net book value								
At 31 March 2002	**70,655**	**1,156**	**13,045**	**8,240**	**160**	**260**	**667**	**94,183**
At 31 March 2001	82,608	2,360	12,993	14,787	1,998	294	2,809	117,849

The analysis of the cost or valuation of the above assets is as follows:

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Moulds and tools HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
At cost	61,602	14,994	48,418	56,255	7,509	3,049	13,221	205,048
At professional valuation	25,648	–	–	–	–	–	–	25,648
	87,250	14,994	48,418	56,255	7,509	3,049	13,221	230,696

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Land and buildings stated at professional valuation were valued by Vigers Hong Kong Limited, an independent professional valuer on an open market value basis as at 19 March 1993.

The cost of property, plant and equipment included an amount of HK$2,826,000 in respect of assets held under finance leases (2001: HK$2,826,000) and the related accumulated depreciation amounted to HK$1,938,000 (2001: HK$1,292,000).

Had the leasehold land and buildings been carried at cost less accumulated depreciation and impairment losses, their carrying amount would have been HK$7,314,000 (2001: HK$16,871,000).

The net book value of land and buildings comprises the following:

	Hong Kong	Outside Hong Kong	Total
	HK$'000	*HK$'000*	*HK$'000*
Medium term lease (less than 50 years but not less than 10 years)			
At cost	–	49,281	49,281
At 1993 professional valuation	21,374	–	21,374
	21,374	49,281	70,655

At 31 March 2002, the net book value of property, plant and equipment pledged as security for the Group's bank loans and banking facilities amounted to HK$93,492,000 (2001: HK$111,806,000)

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12. LAND HELD FOR DEVELOPMENT

	Group	
	2002	2001
	HK$'000	*HK$'000*
At cost	**3,264,754**	–
Interest capitalised in land held for development	**135,763**	–

Land held for development as at 31 March 2002 was situated in the PRC.

Particulars of the land held for development are as follows:

(a)

Location	**Approximate site area (square metres)**	**Type of development**
Liu Wan, Shekou, Shenzhen, the PRC (Lot No. K708-5, K708-2 and K708-3)	313,074	Shopping arcade/ residential/hotel/ recreational facilities

The land is a vacant site as at 31 March 2002.

Pursuant to the Real Property Ownership Certificate, the land use rights of the land site Lot No. K708-5 with an area of 220,691 square metres for a term of 70 years from 1 January 1996 to 1 January 2066 was vested in Shenzhen Liu Wan Industry Development Co., Ltd. ("Shenzhen Liu Wan"), a subsidiary of the Company.

The Land Use Rights Certificate of the land site Lot No. K708-2 and K708-3 with an area of approximately 81,488 square metres will be granted upon full settlement of the land premium payables amounting to HK$160,576,000 as at 31 March 2002.

During the year, Shenzhen Liu Wan and a third party entered into a co-operative agreement to develop the residential project in Liu Wan. Upon completion of the project, the third party will be entitled to 40% profit on the project. At 31 March 2002, the total deposit received from the third party for the project amounted to HK$28,163,000 which is included under non-current liabilities in the consolidated balance sheet.

12. LAND HELD FOR DEVELOPMENT (Continued)

(b)

Location	Approximate site area (square metres)	Type of development
Sheng Tai Building, Long Qi Zhen, Jiang Bei County, Chongqing City, Sichuan Province, the PRC (Phase I and II)	13,892	Commercial and residential

The foundation work of Phase I of this development is in progress as at 31 March 2002.

The land site of Phase II of this development is vacant as at 31 March 2002.

Pursuant to the Land Use Rights Certificate issued by Jiang Bei County State-owned Land Bureau, the land use rights of Phase I with an area of 4,546 square metres for a term of 50 years up to 6 February 2043 was vested in Chongqing Sheng Tai Properties Development Company Limited ("Chongqing Sheng Tai"), a subsidiary of the Company.

Pursuant to the Land Use Rights Certificate issued by Jiang Bei County State-owned Land Bureau, the land use rights of Phase II with an area of 9,346 square metres for a term of 50 years from 13 January 2000 to 13 January 2050 was vested in Chongqing Sheng Tai.

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13. INTEREST IN A PROPERTY DEVELOPMENT PROJECT

	Group	
	2002	2001
	HK$'000	*HK$'000*
At cost	**80,000**	–

Particulars of the property development project are as follows:

Location	**Approximate site area (square metres)**	**Type of development**
No. 167 Da Guang Lu, Bai Xia District, Nanjing City, Jiangsu Province, The PRC	31,922	Residential and commercial

The land is a vacant site as at 31 March 2002.

During the year, the Group acquired from Sino-i the beneficial interest, rights and obligations in a property development project undertaken by Nanjing Hanxi Real Estate Development Co., Ltd. ("Nanjing Hanxi"), a related company, at a consideration of HK$80,000,000.

Pursuant to the Land Use Rights Certificate, the land use rights of the above land with an area of 22,902 square metres, 4,646 square metres and 4,374 square metres for a term from 15 December 1993 to 29 March 2043, from 20 June 2001 to 4 June 2071 and from 20 June 2001 to 21 May 2071 respectively were vested in Nanjing Hanxi.

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14. INTEREST IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	*HK$'000*
Unlisted shares, at cost	**112,897**	556,754
Less: Provision for impairment	**(112,897)**	(432,754)
	–	124,000
Amounts due from subsidiaries (note (a))	**3,120,215**	455,739
Amounts due to subsidiaries (note (a))	**(3,777)**	(27,366)
Less: Provision for doubtful debts	**(471,860)**	(455,739)
	2,644,578	(27,366)
	2,644,578	96,634

(a) Amounts due from/to subsidiaries are unsecured, interest free and have no fixed repayment terms.

(b) Particulars of the principal subsidiaries at 31 March 2002 are as follows:

Name	Country/Place of incorporation/ establishment and operation	Nominal value of issued/ registered capital	Percentage of capital held by the Company	Principal activities
Team Industrial Company Limited (formerly known as Team Concepts (Hong Kong) Limited)	Hong Kong	HK$57,143,000	65%*	Investment holding and provision of management services
Team Concepts Marketing Limited (formerly known as Team Concepts Electronics Limited)	Hong Kong	HK$500,000	65%	Design and marketing of electronic educational products

For the year ended 31 March 2002

14. INTEREST IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ establishment and operation	Nominal value of issued/ registered capital	Percentage of capital held by the Company	Principal activities
Team Concepts Technologies Limited	Hong Kong	HK$20	65%	Design and marketing of consumer electronic products
Team Concepts Manufacturing Limited	Hong Kong	HK$500,000	65%	Manufacture of telecommunication and consumer electronic products
Dong Guan Team Concepts Electronics Limited	PRC	HK$40,000,000 (see**below)	52%	Manufacture of telecommunication and consumer electronic products
Team Concepts North America, Limited	United States of America	US$10	100% *	Provision of marketing services
Team Concepts (UK) Limited	United Kingdom	GBP100	65%	Provision of marketing services
Team Concepts Global Enterprise Limited (formerly known as Team Concepts (Far East) Limited)	Hong Kong	HK$8,000	65%	Design and marketing of electronic educational products
South Sea Development (HK) Limited (formerly known as Learning Concepts Limited)	Hong Kong	HK$2	100% *	Investment holding

14. INTEREST IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ establishment and operation	Nominal value of issued/ registered capital	Percentage of capital held by the Company	Principal activities
Liu Wan Development (BVI) Company Limited	British Virgin Island	US$215,000,000	100%	Investment holding
Liu Wan Investment Company Limited	Hong Kong	US$2	100%	Investment holding
Shenzhen Liu Wan Industry Development Co., Ltd. ("Shenzhen Liu Wan")	PRC	RMB100,000,000 (see *** below)	100%	Investment holding and property investment
Top Gallant Development Limited	Hong Kong	HK$2	100%	Investment holding
Sheen Asset Limited	Hong Kong	HK$2	100%	Investment holding
Yorkwell International Limited	Hong Kong	HK$2	100%	Investment holding
Shenzhen Jin Yi Tian Investment Company Limited	PRC	RMB18,000,000 (see **** below)	100%	Property investment
Top First Assets Limited	Hong Kong	US$1	100%	Investment holding
Longwise Development Limited	Hong Kong	HK$2	100%	Investment holding
Chongqing Sheng Tai Properties Development Company Limited	PRC	US$2,100,000 (see ***** below)	100%	Property development, property investment and interior design

14. INTEREST IN SUBSIDIARIES (Continued)

* Shares held directly by the Company

** Dong Guan Team Concepts Electronics Limited was established as a co-operative joint venture in the PRC for a term of 30 years commencing from 5 June 1992. Upon the expiry of the term of the joint venture, the land and buildings of the joint venture will be taken over by the PRC party while the remaining assets will be taken over by the Group. The Group's profit entitlement in the joint venture is 52% of the retained profits.

*** Shenzhen Liu Wan was a co-operative joint venture established for a period of 50 years up to April 2049 under a joint venture agreement dated 28 March 2000 among Shenzhen Golden Era Industry Development Co., Ltd.("Shenzhen Golden Era"), Liu Wan Investment Company Limited, Liu Wan Development (BVI) Company Limited ("Liu Wan (BVI)") and a PRC party. Pursuant to the agreement, Shenzhen Golden Era injected a land site in Shenzhen into Shenzhen Liu Wan in return for a 10% entitlement of profit sharing in Shenzhen Liu Wan. According to an agreement dated 30 April 2000, the PRC party transferred all of its 5% interest including the profit-sharing and control in Shenzhen Liu Wan to Liu Wan (BVI) for a consideration of RMB321,000,000. According to an agreement dated 10 August 2000, Shenzhen Golden Era transferred all its 10% profit-sharing interest in Shenzhen Liu Wan to Liu Wan (BVI) for a consideration of HK$500,000,000. As a result of the above, Liu Wan (BVI) owns the entire equity interest in Shenzhen Liu Wan.

**** Shenzhen Jin Yi Tian Investment Company Limited (" Shenzhen Jin Yi Tian") is a PRC enterprise established on 28 January 1997 for a period of 10 years up to 28 January 2007. Pursuant to an agreement dated 2 September 1999, Shenzhen Liu Wan and a PRC party acquired 90% and 10% respectively of the equity interest in Shenzhen Jin Yi Tian. Pursuant to an agreement dated 21 March 2001, the PRC party agreed to waive unconditionally its 10% equity interest in Shenzhen Jin Yi Tian and as a result, Shenzhen Liu Wan effectively owns 100% equity interest in Shenzhen Jin Yi Tian.

***** Chongqing Sheng Tai Properties Development Company Limited ("Chongqing Sheng Tai") is a foreign investment enterprise wholly owned by Longwise Development Limited. Chongqing Sheng Tai was established under the laws of the PRC on 5 September 1992 for a period of 30 years up to 4 September 2022.

The above table lists out the subsidiaries of the Company as at 31 March 2002 which in the opinion of the directors, principally affected the Group's results for the year or formed a substantial portion of net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

15. INTEREST IN AN ASSOCIATE

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Share of net assets	**209,597**	2,195	**–**	–
Less: Provision for impairment	**–**	(1,867)	**–**	–
	209,597	328	**–**	–
Unlisted investment, at cost	**–**	–	**–**	81

Particulars of the associates at 31 March 2002 are as follows:

Name	Country/Place of incorporation/ establishment and operation	Nominal value of issued/ registered capital	Percentage of capital held by the Group 2002	Percentage of capital held by the Group 2001	Principal activities
Listar Properties Limited	British Virgin Islands	US$20,000,000	49%	–	Investment holding
Team Concepts Iberia S.L.	Spain	Pesetas 9,000,000	–	30%	Marketing of consumer electronic products

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16. INTEREST IN A JOINT VENTURE

	Group	
	2002	2001
	HK$'000	*HK$'000*
Share of net assets	**3,929**	3,929
Less: Provision for impairment	**(3,929)**	(3,929)
	–	–

Name	Business structure	Place of incorporation and operation	Percentage of interest	Principal activity
Juguetes Electronicos Avanzados S.L.	Corporate	Spain	50%	Marketing of consumer electronic products

Subsequent to 31 March 2002, the Group has disposed of its interest in the joint venture to a third party.

17. PRODUCT DEVELOPMENT COSTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
At the beginning of the year/period	**8,726**	19,423
Additions	**6,087**	18,349
Amortisation	**(5,127)**	(15,791)
Write-off	**(917)**	(13,255)
At the end of the year/period	**8,769**	8,726

18(a). GOODWILL

	Group HK$'000
Gross amount	
At 1 April 2001	116,760
Acquisition of subsidiaries	3,724
Disposal of a subsidiary	(116,760)
At 31 March 2002	**3,724**
Accumulated amortisation	
At 1 April 2001	21,642
Amortisation during the year	78
Disposal of a subsidiary	(21,642)
At 31 March 2002	**78**
Carrying value	
At 31 March 2002	**3,646**
At 31 March 2001	95,118

For the year ended 31 March 2002

18(b). NEGATIVE GOODWILL

	Group
	HK$'000
Gross amount	
At 1 April 2001	–
Acquisition of subsidiaries	(281,767)
At 31 March 2002	**(281,767)**
Accumulated amount recognised as income	
At 1 April 2001	–
Amount recognised as income during the year	(10,566)
At 31 March 2002	**(10,566)**
Carrying value	
At 31 March 2002	**(271,201)**
At 31 March 2001	–

Negative goodwill is recognised as income over a period of twenty years. Negative goodwill recognised as income is during the year is included in other revenue in the consolidated income statement.

19. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**48,485**	70,131
Work in progress	**12,247**	19,333
Finished goods	**19,220**	45,525
Goods in transit	**12**	1,434
	79,964	136,423
Less: Provision for slow-moving and obsolete inventories	**(53,659)**	(97,331)
	26,305	39,092

All of the above inventories, except goods in transit, are stated at net realisable value.

20. TRADE AND BILLS RECEIVABLES

At 31 March 2002, the aging analysis of the trade and bills receivables was as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
0-90 days	**15,323**	15,192
91-180 days	**4,406**	3,005
181-270 days	**36**	1,619
271-360 days	**867**	1,235
Over 360 days	**6,172**	31,366
Less: Provision	**(14,871)**	(27,262)
	11,933	25,155

Majority of the Group's sales are entered into on letters of credit while the rest are entered into on credit terms ranging from thirty to sixty days. During the year ended 31 March 2002 and the period ended 31 March 2001, the Group encountered difficulties in collection of certain trade debts and appropriate provision has been made against certain bad and doubtful debts.

21. TRADE AND BILLS PAYABLES

At 31 March 2002, the ageing analysis of trade and bills payables was as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
0-90 days	**990**	18,286
91-180 days	**4,560**	23,447
181-270 days	**2,457**	31,643
271-360 days	**180**	19,406
Over 360 days	**2,044**	38,505
	10,231	131,287

22. AMOUNT DUE FROM A JOINT VENTURE

	Group	
	2002	2001
	HK$'000	*HK$'000*
Amount due from a joint venture	**12,672**	18,248
Less: Provision for bad and doubtful debts	**(12,583)**	(12,970)
	89	5,278

The amount represents trade receivable due from Juguetes Electronicos Avanzados S.L., (see note 16) which is unsecured, interest-free and repayable on demand.

23. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company is unsecured, interest-free and has no fixed repayment terms.

24. AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES

The amounts due from/(to) fellow subsidiaries are unsecured, interest-free and have no fixed repayment terms.

25. BANK LOANS AND OVERDRAFTS (SECURED)

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank overdrafts	**272**	84,010	**–**	–
Restructure loan (note)	**116,183**	–	**–**	–
Bank loans	**592,832**	73,629	**2,800**	985
	709,287	157,639	**2,800**	985
Less: Current portion due within one year included under current liabilities	**(211,621)**	(157,639)	**(2,800)**	(985)
Non current portion included under non-current liabilities	**497,666**	–	**–**	–

25. BANK LOANS AND OVERDRAFTS (SECURED) (Continued)

(Note) During the year, the Group entered into an agreement with one of its lending banks (the "Bank"), pursuant to which the repayment period for the bank loans and overdrafts of approximately HK$116 million due to the Bank was extended. Under the agreement, the Group was allowed to consolidate all these bank loans and overdrafts into a restructure loan which should be repaid on or before 14 November 2006 while interest on these balances for the first thirty months after 1 May 2001 would be waived.

26. CONVERTIBLE NOTES/DEBENTURES

		Group and Company	
		2002	2001
	Notes	***HK$'000***	*HK$'000*
5% convertible notes	(a)	**210,000**	–
Non-interest bearing convertible debentures	(b)	**10,653**	–
Conversion into shares		**(1,045)**	–
Transfer to other payables		**(9,608)**	–
		–	–

(a) On 18 September 2001, the Company issued HK$210,000,000 5% convertible notes to Power Ocean Investments Limited, an independent third party, for settlement of a loan of HK$210,000,000 under a loan agreement dated 30 August 2001. These convertible notes bear interest at 5% per annum and are due on 18 September 2002. Each of the convertible notes carries the right to convert in whole or in part at any time commencing after the date of issue of the note but before the due date the outstanding principal amounts of the notes into ordinary shares in the Company at a conversion price of HK$0.10 per share. The conversion price is subject to adjustment in certain circumstances. During the year, no notes were converted into shares of the Company.

(b) The non-interest bearing convertible debentures were issued under the Scheme of Arrangement as described in note 5 above. These convertible debentures were non-interest bearing and due on 31 December 2001. Each of the convertible debentures carried the right to convert the whole or in part at any time commencing after the date of issue of the note but before the due date the outstanding principal amounts of the notes into ordinary shares in the Company at a conversion price of HK$0.10 per share. As at 31 December 2001, convertible debentures amounting to HK$1,045,000 were converted into 10,453,209 ordinary shares in the Company at HK$0.10 each. After 31 December 2001, the debentures which have not been converted were transferred to other payables, most of which was subsequently settled.

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27 FINANCE LEASES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Obligations under finance leases	**473**	1,129
Less: Current portion due within one year included under current liabilities	**(440)**	(1,057)
	33	72

At 31 March 2002, the Group's finance leases were repayable as follows:

	2002	2001
	HK$'000	*HK$'000*
Due within one year	**440**	1,057
Due in the second to fifth years	**33**	72
	473	1,129

28 CASH AT BANKS AND IN HAND

Included in the cash at banks and in hand is approximately HK$220,115,000 (2001: HK$1,027,000), representing Renminbi deposits placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

29 SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2000	500,000,000	50,000
Increase during the period	14,500,000,000	1,450,000
At 31 March 2001 and 1 April 2001	15,000,000,000	1,500,000
Increase during the year (note (a))	35,000,000,000	3,500,000
At 31 March 2002	**50,000,000,000**	**5,000,000**
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1 January 2000	447,192,000	44,719
Issue of new shares for cash	6,143,327,000	614,333
Conversion of convertible notes	40,000,000	4,000
At 31 March 2001 and 1 April 2001	6,630,519,000	663,052
Issue of new shares (notes (b) - (d))	23,290,831,974	2,329,083
Conversion of convertible debentures (note (d))	10,453,209	1,045
At 31 March 2002	**29,931,804,183**	**2,993,180**

29. SHARE CAPITAL (Continued)

(a) Pursuant to an ordinary resolution dated 9 July 2001, the authorised share capital of the Company was increased from HK$1,500,000,000 divided into 15,000,000,000 shares of HK$0.10 each to HK$5,000,000,000 by the creation of a further 35,000,000,000 shares of HK$0.10. These shares rank pari passu in all respects with the existing shares of the Company.

(b) On 10 July 2001 and 23 November 2001, 22,234,300,000 shares of HK$0.10 each and 700,000,000 shares of HK$0.10 each respectively were issued and allotted at par to Sino-i and certain independent third parties as partial consideration for the acquisition of the entire issued share capital of Liu Wan (BVI) and the property development project in Nanjing, the PRC (note 13) pursuant to the Properties Injection Agreement and the Rich King Agreement, details of which have been disclosed in the Company's circular dated 18 June 2001.

(c) On 17 October 2001, 250,000,000 shares of HK$0.10 each were issued and allotted to an independent third party as consideration for the acquisition of the entire issued share capital of Longwise Development Limited.

(d) Pursuant to the Scheme of Arrangement as described in note 5, 106,531,974 shares in the Company were issued at par to the unsecured creditors of TCM. In addition, convertible debentures of an aggregate amount of HK$10,653,000 were also issued under the Scheme of Arrangement to these creditors. On 29 October 2001, 12 November 2001, 20 December 2001 and 31 December 2001, convertible debentures of HK$34,000, HK$25,000, HK$826,000 and HK$160,000 respectively were converted by the debenture holders into 10,453,209 shares of HK$0.10 each at the conversion price of HK$0.10 per share.

30. RESERVES

Group

	Share premium HK$'000	Capital reserve HK$'000	Property revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2000	84,878	12,465	20,778	(664)	(190,458)	(73,001)
New issue of shares, net of expenses	11,191	–	–	–	–	11,191
Exchange differences on translation of the financial statements of overseas subsidiaries	–	–	–	716	–	716
Loss for the period	–	–	–	–	(628,461)	(628,461)
At 31 March 2001 and 1 April 2001	96,069	12,465	20,778	52	(818,919)	(689,555)
Release on disposal of properties	–	–	(1,311)	–	1,311	–
Exchange differences on translation of the financial statements of overseas subsidiaries	–	–	–	(274)	–	(274)
Profit for the year	–	–	–	–	52,152	52,152
At 31 March 2002	**96,069**	**12,465**	**19,467**	**(222)**	**(765,456)**	**(637,677)**

Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2000	84,878	50,010	(103,923)	30,965
New issue of shares, net of expenses	11,191	–	–	11,191
Loss for the period	–	–	(616,048)	(616,048)
At 31 March 2001 and 1 April 2001	96,069	50,010	(719,971)	(573,892)
Loss for the year	–	–	(48,874)	(48,874)
At 31 March 2002	**96,069**	**50,010**	**(768,845)**	**(622,766)**

30. RESERVES (Continued)

(a) Contributed surplus of the Company represents the difference between the aggregate net asset value of subsidiaries acquired and the nominal amount of the Company's shares issued for the acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders under certain circumstances.

(b) Included in the accumulated losses of the Group of HK$765,456,000 (2001: HK$818,919,000) is the accumulated losses of HK403,000 (2001: HK$414,000) of an associate (note 15) and the accumulated losses of HK$1,635,000 (2001: HK$1,635,000) of a joint venture (note 16) dealt with in the financial statements.

31. DEFERRED TAXATION

At 31 March 2002, the amount of unprovided deferred tax asset is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Tax effect of timing differences attributable to:		
Estimated tax losses	**60,797**	56,955

No provision has been made for deferred tax liability in respect of timing differences relating to product development costs deferred in the financial statements as it is not expected that the liability will crystallise in the foreseeable future due to recurring development costs.

No provision has been made for deferred tax liability in respect of the timing differences relating to the surplus from the revaluation of properties of subsidiaries. The revaluation does not constitute a timing difference for taxation purposes because the revalued properties are not subject to capital gains tax.

Deferred tax asset has not been recognised in the financial statements as it is uncertain whether such asset will crystallise in the foreseeable future.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before taxation to net cash outflow from operating activities

	1 April 2001 to 31 March 2002	1 January 2000 to 31 March 2001
	HK$'000	*HK$'000*
Profit/(Loss) before taxation	**52,300**	(630,008)
Interest income	**(316)**	(453)
Interest expenses	**17,304**	22,617
Depreciation of property, plant and equipment	**16,621**	23,147
Loss/(Gain) on disposal of property, plant and equipment	**6,155**	(19)
Gain on disposal of an associate	**(115)**	–
Gain on deemed partial disposal of a subsidiary	**(20,000)**	–
Liabilities waived by unsecured creditors	**(89,779)**	–
Gain on waiver of amount due to a creditor	**(4,989)**	–
Exchange (gain)/loss	**(274)**	990
Amortisation and write-off of product development costs	**6,044**	29,046
Amortisation of goodwill	**78**	21,642
Write off of goodwill	**–**	316,078
Negative goodwill recognised as income	**(10,566)**	–
Share of loss of an associate	**403**	572
Share of loss in a joint venture	**–**	1,635
Provision for impairment in value of an associate	**–**	1,867
Provision for impairment in value of a joint venture	**–**	3,929
Decrease/(Increase) in amount due from a joint venture	**5,189**	(5,278)
Decrease in inventories	**12,787**	73,540
Increase in amount due from a fellow subsidiary	**(54,862)**	–
Decrease in trade and bills receivables, other receivables and deposits	**6,807**	61,735
(Decrease)/Increase in trade and bills payables, other payables and amounts due to fellow subsidiaries and ultimate holding company	**(21,774)**	29,291
Net cash outflow from operating activities	**(78,987)**	(49,669)

For the year ended 31 March 2002

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries

	1 April 2001 to 31 March 2002 HK$'000	1 January 2000 to 31 March 2001 HK$'000
Net assets acquired:		
Property, plant and equipment	**47**	1,444
Land held for development	**3,201,463**	–
Other receivables and deposits	**2,994**	3,644
Amount due from ultimate holding company	**–**	10,276
Cash at banks and in hand	**501**	27,919
Amounts due to fellow subsidiaries	**(67,883)**	–
Trade and other payables	**(123,203)**	(112)
Land premium payables	**(160,576)**	–
Short-term bank loan	**(185,185)**	(4,897)
Deposit received	**(27,685)**	–
Minority interests	**–**	(1,112)
	2,640,473	37,162
(Negative goodwill)/Goodwill arising on consolidation	**(278,043)**	432,838
	2,362,430	470,000
Satisfied by:		
Issue of shares	**2,238,430**	470,000
Disposal of a subsidiary	**124,000**	–
	2,362,430	470,000

Analysis of the net cash inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	1 April 2001 to 31 March 2002 HK$'000	1 January 2000 to 31 March 2001 HK$'000
Cash at banks and in hand acquired	**501**	27,919

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Disposal of a subsidiary

	1 April 2001 to 31 March 2002	1 January 2000 to 31 March 2001
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	**4,173**	–
Trade and other receivables	**401**	–
Amount due from ultimate holding company	**24,018**	–
Amounts due from minority shareholders	**888**	–
Cash at banks	**142**	–
Pledge bank deposits	**5,446**	–
Trade and other payables	**(1,289)**	–
Bank loans	**(4,897)**	–
	28,882	–
Goodwill released on disposal of a subsidiary	**95,118**	–
	124,000	–
Satisfied by:		
Acquisition of a subsidiary	**124,000**	–

Analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	1 April 2001 to 31 March 2002	1 January 2000 to 31 March 2001
	HK$'000	*HK$'000*
Cash at banks disposed of	**(142)**	–

For the year ended 31 March 2002

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Analysis of changes in financing:

	Share capital including premium HK$'000	Convertible notes HK$'000	Minority interests HK$'000	Bank and other loans HK$'000	Obligations under finance leases HK$'000
At 1 January 2000	129,597	4,172	–	86,481	2,717
Cash inflow/(outflow) from financing	120,281	–	–	(17,749)	(1,588)
Shares issued for settlement of indebtedness	35,243	–	–	–	–
Waiver of convertible notes	–	(172)	–	–	–
Shares issued upon conversion of convertible notes	4,000	(4,000)	–	–	–
Shares issued for acquisition of subsidiaries	470,000	–	1,112	4,897	–
Minority interests' share of loss for the period	–	–	(2,000)	–	–
At 31 March 2001 and 1 April 2001	759,121	–	*(888)	73,629	1,129
Cash inflow/(outflow) from financing	–	–	20,000	455,098	(656)
Shares issued for acquisition of subsidiaries and a property development project	2,318,430	–	–	–	–
Shares issued under the Scheme of Arrangement (note 5)	11,698	–	–	–	–
Acquisition of subsidiaries	–	–	–	185,185	–
Disposal of a subsidiary	–	–	888	(4,897)	–
Acquisition of an associate	–	–	–	210,000	–
Settlement of loan	–	210,000	–	(210,000)	–
Minority interests' share of previous years' losses	–	–	(20,000)	–	–
At 31 March 2002	**3,089,249**	**210,000**	**–**	**709,015**	**473**

* Included in other receivables and deposits in the consolidated balance sheet as at 31 March 2001.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(e) Major non-cash transactions

The acquisition of a subsidiary, Liu Wan (BVI), and the interest in a property development project during the year were satisfied by the disposal of a former subsidiary, Rich King Inc. to the ultimate holding company and the issue of 22,934,300,000 shares of HK$0.10 each to the ultimate holding company and independent vendors.

The acquisition of a subsidiary, Longwise Development Limited, during the year was satisfied by the issue of 250,000,000 shares of HK$0.10 each to an independent third party.

The consideration of HK$210,000,000 for the acquisition of 49% equity interest in an associate, Listar Properties Limited, during the year was financed by a loan of HK$210,000,000 which was subsequently settled by the issuance of HK$210,000,000 5% interest-bearing convertible notes .

Under the Scheme of Arrangement as described in note 5, the Company issued 106,531,974 shares of HK$0.10 each and convertible debentures of HK$10,653,000 to settle the total amount due to the unsecured creditors of TCM, resulting in liabilities waived by unsecured creditors of HK$89,779,000.

33. CONTINGENT LIABILITIES

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Discounted bill of exchange	**–**	2,081	**–**	–

34. COMMITMENTS

(a) Capital commitments

At 31 March 2002, the Group had commitments in respect of the purchase of property, plant and equipment and land held for development as follows:

	2002	2001
	HK$'000	*HK$'000*
Contracted but not provided for	**25,231**	1,603

At 31 March 2002, the Company had no capital commitments.

(b) Commitments under operating leases

At 31 March 2002, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Land and buildings	
	2002	2001
	HK$'000	*HK$'000*
Within one year	**779**	3,288
In the second to fifth years	**2,568**	4,019
After five years	**–**	5,360
	3,347	12,667

At 31 March 2002, the Company had no operating lease commitments.

35. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with its ultimate holding company:

Financial transactions

	1 April 2001 to 31 March 2002	1 January 2000 to 31 March 2001
	HK$'000	*HK$'000*
Management fee paid	**3,423**	3,120

Management fee was paid to Sino-i in respect of the management services provided. The management fee was mutually agreed between the relevant parties.

Assets injection with Sino-i

On 22 March 2001, the Company and Sino-i entered into two conditional agreements in respect of the acquisition of direct and indirect interests in certain properties through acquisition of subsidiaries and interest in a property development project from Sino-i and independent vendors, as detailed in the Company's circular dated 18 June 2001, at a consideration of HK$2,417,430,000, which will be satisfied by issuing of shares in the Company at HK$0.10 each and disposal of Rich King Inc. to Sino-i at a consideration of HK$470,000,000. On 10 May 2001, the Company and Sino-i entered into supplemental agreements as modified and supplemented to the conditional agreements, under which the consideration of disposal of Rich King Inc. was adjusted to HK$124,000,000. On 10 July 2001 and 23 November 2001, 22,234,300,000 shares of HK$0.10 each and 700,000,000 shares of HK$0.10 each respectively in the Company were issued to Sino-i and independent vendors. Rich King Inc. was also disposed of to Sino-i in exchange of the direct and indirect interests in properties on 10 July 2001.

Financial support

As at 31 March 2002, the Group's banking facilities were secured by corporate guarantees executed by the ultimate holding company, limited to the amount of HK$42.8 million.

Balances with ultimate holding company and fellow subsidiaries

As at 31 March 2002, the Group had receivable from a fellow subsidiary and payables to ultimate holding company and fellow subsidiaries. These balances are mainly in respect of advances from/to these parties.

Details of the terms are set out in notes 23 and 24 to the financial statements.

36. BANKING FACILITIES

The total banking facilities of the Group amounting to HK$709 million (2001: HK$145 million) were secured, inter alia, by the following:

(i) fixed charges over the leasehold land and buildings and other fixed assets of the Group with an aggregate net book value of approximately HK$93,492,000 (2001: HK$111,806,000);

(ii) floating charge over other assets of certain subsidiaries within the Group;

(iii) corporate guarantees given by Paracorp Berhad, the former ultimate holding company of the Group, with a maximum liability of not more than HK$40 million;

(iv) corporate guarantee given by the ultimate holding company with HK$42.8 million and unlimited guarantees given by certain subsidiares within the Group;

(v) charge over shares in certain subsidiaries within the Group;

(vi) guarantee given by former shareholders of the Company with a maximum liability of not more than HK$30 million plus default interest and expenses;

(vii) the land held for development with Land Lot No. K708-5 at Liu Wan (see note 12);

(viii) unlimited personnel guarantee given by Mr.Yu Pun Hoi;

(ix) all sales proceeds from sale of the properties with Land Lot No. K708-5 at Liu Wan (see note 12); and

(x) unlimited corporate guarantee given by the Company.

37. PENDING LITIGATIONS

(a) In a prior year, Team Concepts Marketing Limited (formerly known as Team Concepts Electronics Limited), a subsidiary of the Company, issued a proceeding against an Eurpoean distributor, Stadlbauer Marketing & Vertrieb GmbH ("SMV"), for outstanding accounts receivable of approximately US$ 0.8 million (HK$6.2 million). SMV has filed a counterclaim for a sum amounting to Austrian Schilling 2.5 million (HK$1.6 million) for alleged breach of exclusive distributorship contracts. Up to the date of approval of these financial statements, the court case is still in progress and no settlement has yet been received by the Group. Having taken appropriate legal advice, the directors are prepared to undergo arbitration through the Commerce Chamber of Austria, and are of the opinion that this litigation is unlikely to result in any material loss to the Group. In the opinion of the directors, adequate provision has been made against any potential loss.

(b) At 31 March 2002 and subsequent to that date, a number of creditors in the PRC have issued writs against Dong Guan Team Concepts Electronics Limited, a subsidiary of the Company, for the settlement of the outstanding debts totalling approximately HK$2 million. The directors are of the opinion that these creditors have no rights to claim for the outstanding debts as the Group's debts due to them have been discharged under the Scheme of Arrangement as described in note 5 above. No provision for these claims have been made in the financial statements.

38. CHANGE OF COMPANY NAME

Pursuant to a special resolution passed on 30 July 2001, the name of the Company was changed from "Learning Concepts Holdings Limited" to "South Sea Holding Company Limited".

39. COMPARATIVE FIGURES

As explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the year, the accounting treatment and/or presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform with the current year's presentation.

40. POST BALANCE SHEET EVENTS

Pursuant to a special resolution passed on 30 April 2002, the issued and paid-up capital of the Company was reduced from HK$2,993,180,418.30 divided into 29,931,804,183 ordinary shares of HK$0.10 each to HK$299,318,041.83 divided into 29,931,804,183 ordinary shares of HK$0.01 each. Trading of the new ordinary shares of HK$0.01 each commenced on 2 May 2002. The reduction was effected by cancelling paid-up capital to the extent of HK$0.09 upon each of the 29,931,804,183 ordinary shares in issue as at 30 April 2002. Following the reduction of issued and paid-up capital, the authorised share capital of the Company was reduced from HK$5,000,000,000 to HK$2,306,137,623.53. The special resolution also authorised the increase of the authorised share capital of the Company from HK$2,306,137,623.53 to HK$5,000,000,000 by the creation of an additional 269,386,237,647 new shares of HK$0.01 each.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 18 to 78 were approved by the board of directors on 26 July 2002.