Notes to Financial Statements

31 March 2003

1. CORPORATE INFORMATION

The principal place of business of the Company is located at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The principal activities of the Group during the year were the manufacturing and trading of plastic products.

2. RECENT DEVELOPMENTS AND BASIS OF PRESENTATION

During the year, the Group completed a debt restructuring plan with its bank creditors (excluding those in Mainland China) (the "Participating Banks") under the Rescheduling and Restructuring Deed (the "Deed").

Pursuant to the debt restructuring plan, the Group's total indebtedness of approximately HK$194 million owed to the Participating Banks at the date of completion of the Deed on 19 September 2002 (the "Completion") was restructured and was, or is scheduled to be, discharged as follows:

(a) A portion was rescheduled into a short term bank loan of HK$4.5 million face value, which is secured by the Group's 25% interest in a jointly-controlled entity (note 16) and bears interest at the rate of 1% over monthly HIBOR;

(b) A cash repayment of approximately HK$45 million to the Participating Banks;

(c) The write off by the Participating Banks of HK$18 million owed to them;

(d) The restructuring of HK$36 million into a secured term loan (the "ST Loan") of HK$36 million face value. The ST Loan bears an annual interest rate of 1% over monthly HIBOR. The principal repayment of the ST Loan will commence 25 months after the Completion by way of 47 consecutive equal monthly payments of HK$750,000 each, and an additional payment of HK$750,000 together with any outstanding interest payable on the 72nd month after the Completion, on a pro rata basis to each of the Participating Banks according to the balance owing to each of them as compared to the total amount outstanding;

(e) The issue by the Company to the Participating Banks of two tranches of convertible bonds with a face value of HK$90,415,000, maturing seven years from the Completion. Further details of the convertible bonds are set out in note 27 to the financial statements; and

2. RECENT DEVELOPMENTS AND BASIS OF PRESENTATION (Cont'd)

(f) The default interest currently payable by the Group, of approximately HK$16 million, will be waived by the Participating Banks and deemed to be extinguished twelve months after the Completion in the absence of an event of default under the terms of the Deed.

In addition, the Company also carried out an open offer of shares during the year. Pursuant to the open offer, 1,425,600,000 ordinary shares of HK$0.01 each in the Company were issued at a cash price of HK$0.022 per share. Proceeds of HK$31,363,200, before related expenses, were received by the Company (note 28(c)).

In addition to the foregoing debt restructuring plan and the open offer of shares, the directors have also adopted the following measures in order to improve the financial position, immediate liquidity and cash flow position of the Group:

(a) The Group has disposed of all its properties situated in Hong Kong; and

(b) The directors have been taking action to tighten cost controls over factory overheads and various general and administrative expenses, including the strict monitoring of the Group's accounts receivable and payable.

Notwithstanding that the Group had net current liabilities and a deficiency in assets at 31 March 2003 of approximately HK$34,705,000 (2002: HK$226,077,000) and HK$30,507,000 (2002: HK$75,627,000), respectively, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern for the foreseeable future. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year, after taking into consideration several arrangements made during the year, including, inter alia, the debt restructuring plan, the open offer of shares and other arrangements as set out above, as well as certain other measures/arrangements subsequent to the balance sheet date as further detailed below:

(a) Pursuant to the Deed, the default interest of HK$16 million currently payable by the Group will be deemed to be extinguished on 19 September 2003 in the absence of any event of default as stated in the Deed. As a consequence thereof the Group's net current liabilities and deficiency in assets would be reduced by the same amount. Up to the date of this report, the directors do not expect any event of default to occur before 19 September 2003;

2. RECENT DEVELOPMENTS AND BASIS OF PRESENTATION (Cont'd)

(b) The directors are currently in the process of negotiating and finalising terms with the Participating Banks to provide additional credit facilities of approximately HK$20 million to the Group;

(c) The directors are in the process of negotiating with a creditor to extend the repayment term of a loan of HK$10 million granted to the Group, which will be due for repayment in October 2003, for a further year;

(d) The Group has negotiated with its suppliers for additional facilities and longer credit terms; and

(e) The Group is currently in the process of identifying potential investors to raise new equity and/or other financing for the Group.

In the opinion of the directors, in light of the completion of the debt restructuring plan, the ongoing support from the Group's bankers and creditors, the various measures/arrangements implemented to date, together with the expected results of other measures/arrangements in progress, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to return to a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial position and tight liquidity as at 31 March 2003.

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

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

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

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

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

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented on page 30 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and jointly-controlled entities are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

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

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes and the prior year adjustments that have resulted from them are included in the accounting policy for "Cash and cash equivalents" in note 4 and in 31(a) to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. Disclosures are now required in respect of the Company's share option scheme, as detailed in note 29 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") disclosures previously included in the Report of the Directors, which are now included in the notes to the financial statements as a consequence of the SSAP.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (cont'd)

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

Subsidiaries

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

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

Joint venture companies

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

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

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, with other joint venture parties over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's share or registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital, and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Jointly-controlled entities

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

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

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

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 of 10 to 20 years. In the case of jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries or jointly-controlled entities, 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 any 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, including goodwill remaining eliminated against consolidated reserves, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of jointly-controlled entities, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries and jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Related parties

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

Impairment of assets

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

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fixed assets and depreciation

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

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Leasehold land and buildings outside Hong Kong	Over the lease terms
Leasehold land in Hong Kong	Over the remaining unexpired lease terms
Buildings in Hong Kong	40 years
Leasehold improvements	5 to 10 years
Plant and machinery	2 to 15 years
Furniture, fixtures, equipment and motor vehicles	3 to 5 years

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Long term investments

Long term investments represent the Group's interests in its former subsidiary in Mainland China which are intended to be held on a long term basis. They are stated at their carrying value at the time of their transfer to long term investments less any impairment losses, on an individual investment basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

Prior to the adoption of the revised SSAP 15 during the year, as explained in note 3 to the financial statements, cash equivalents in the consolidated cash flow statement also included advances from banks repayable within three months from the date of the advance, in addition to bank overdrafts. This change in definition has resulted in a prior year adjustment relating to trust receipt loans, further details of which are included in note 31(a) to the financial statements.

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

Provisions

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(c) subcontracting fee income, on an accrual basis and in accordance with the relevant subcontracting agreements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Employee benefits

Employment Ordinance long service payments

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

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

Pension scheme and other retirement benefits

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

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

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

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

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 3 to the financial statements, the profit and loss accounts of overseas subsidiaries and jointly-controlled entities and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously-reported cash flows of the prior year.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (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 segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the PVC films segment engages in the manufacture and sale of PVC sheets;

(b) the PVC floor coverings segment engages in the manufacture and sale of PVC floor coverings; and

(c) the corporate and other activities segment engages in investment holding and also includes general corporate income and expense items.

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.

5. SEGMENT INFORMATION (cont'd)

(a) Business segments

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

Group	PVC films		PVC floor coverings		Corporate and other activities		Consolidated	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Segment revenue:								
Sales to external customers	266,107	220,139	47,713	47,613	–	–	313,820	267,752
Other revenue	–	–	–	–	467	879	467	879
	266,107	220,139	47,713	47,613	467	879	314,287	268,631
Segment results	24,176	(6,840)	(264)	(7,786)	(15,620)	(51,889)	8,292	(66,515)
Interest income and unallocated revenue/gains							18,712	720
Finance costs							(18,179)	(30,188)
Share of profits and losses of jointly-controlled entities	–	–	–	–	2,070	(237)	2,070	(237)
Profit/(loss) before tax							10,895	(96,220)
Tax							(248)	–
Profit/(loss) before minority interests							10,647	(96,220)
Minority interests							(8)	13
Net profit/(loss) from ordinary activities attributable to shareholders							10,639	(96,207)

5. SEGMENT INFORMATION (Cont'd)

(a) Business segments (cont'd)

Group	PVC films		PVC floor coverings		Corporate and other activities		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	209,792	190,275	36,625	36,829	10,579	37,039	256,996	264,143
Interests in jointly-controlled entities	–	–	–	–	15,112	10,848	15,112	10,848
Unallocated assets							11,346	8,546
Total assets							283,454	283,537
Segment liabilities	(65,766)	(49,300)	(11,017)	(11,622)	(20,420)	(21,989)	(97,203)	(82,911)
Unallocated liabilities							(203,542)	(261,748)
Total liabilities							(300,745)	(344,659)

5. SEGMENT INFORMATION (Cont'd)

(a) Business segments (cont'd)

Group	PVC films		PVC floor coverings		Corporate and other activities		Consolidated	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Other segment information:								
Depreciation	15,791	15,552	4,645	5,167	213	1,746	20,649	22,465
Impairment of long term investments	–	–	–	–	–	250	–	250
Impairment/(reversal of impairment) of investment in a jointly-controlled entity	–	–	–	–	(2,063)	7,105	(2,063)	7,105
Deficit/(surplus) on revaluation of leasehold land and buildings	(9,283)	3,235	–	–	38	9,641	(9,245)	12,876
Deficit on revaluation of investment properties	–	–	–	–	–	1,980	–	1,980
Provision for doubtful debts	88	2,388	–	–	–	–	88	2,388
Provision against other receivables	–	518	–	1,026	1,965	10,943	1,965	12,487
Capital expenditure	2,083	3,681	107	107	8	95	2,198	3,883

(b) Geographical segments

Over 90% of the Group's revenue, results and assets are attributable to its operations in Mainland China.

6. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, but excludes intra-Group transactions.

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

	2003 HK$'000	2002 HK$'000
Turnover		
Sale of goods	313,820	267,752
Other revenue		
Gross rental income	–	412
Interest income	56	76
Subcontracting fee income	467	467
Others	656	644
	1,179	1,599
	314,999	269,351

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Note	2003 HK$'000	2002 HK$'000
Cost of inventories sold		283,254	239,277
Depreciation	13	20,649	22,465
Less: Amount included in cost of inventories sold		(19,663)	(17,389)
		986	5,076
Minimum lease payments under operating leases in respect of land and buildings		3,455	5,069
Less: Amount included in cost of inventories sold		(2,245)	(3,441)
		1,210	1,628
Auditors' remuneration		800	1,000
Staff costs (excluding directors' remuneration – note 8):			
Wages and salaries		16,169	16,469
Less: Amount included in cost of inventories sold		(6,870)	(5,867)
		9,299	10,602
Pension scheme contributions (defined contribution schemes)		385	174
Less: Forfeited contributions		(47)	(112)
Net pension scheme contributions		338	62
Gross rental income		–	(412)
Less: Outgoings		–	215
Net rental income		–	(197)
Impairment of long term investments *		–	250
Impairment/(reversal of impairment) of investment in a jointly-controlled entity *		(2,063)	7,105
Deficit/(surplus) on revaluation of leasehold land and buildings *	13	(9,245)	12,876
Deficit on revaluation of investment properties *		–	1,980
Provision for doubtful debts *		88	2,388
Provision against other receivables *		1,965	12,487
Loss/(gain) on disposal of fixed assets *		644	(83)
Loss on disposal of investment properties *		41	5,337

* These items are included in "Other operating expenses" on the face of the consolidated profit and loss account.

8. DIRECTORS' REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2003	2002
	HK$'000	HK$'000
Fees:		
Independent non-executive directors	50	–
Other emoluments:		
Salaries, allowances and benefits in kind	3,903	5,391
Pension scheme contributions	40	36
	3,993	5,427

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2003	2002
Nil – HK$1,000,000	6	7
HK$1,000,001 – HK$1,500,000	2	1
HK$1,500,001 – HK$2,000,000	–	1
HK$2,000,001 – HK$2,500,000	–	1
	8	10

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. DIRECTORS' REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID EMPLOYEES (Cont'd)

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

	Group	
	2003	2002
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	1,600	1,674
Pension scheme contributions	12	12
	1,612	1,686

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2003	2002
Nil – HK$1,000,000	1	1
HK$1,000,001 – HK$1,500,000	1	1
	2	2

9. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other loans:		
Wholly repayable within five years	16,381	30,114
Wholly repayable after five years	488	–
Interest on finance leases	341	74
Interest on convertible bonds	969	–
	18,179	30,188

10. TAX

	Group	
	2003	2002
	HK$'000	HK$'000
Current year provision:		
Elsewhere than Hong Kong	248	–
Tax charge for the year	248	–

Hong Kong profits tax has not been provided for the year ended 31 March 2003 as the Group did not generate any assessable profits in Hong Kong during the year (2002: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The subsidiaries and one of the Group's jointly-controlled entities operating in Mainland China are exempt from income tax for two years starting from their first profitable year of operations and are entitled to 50% relief from income tax for the following three years under the Income Tax Law of the People's Republic of China (the "PRC").

Deferred tax has not been provided because there were no significant timing differences at the balance sheet date (2002: Nil).

No deferred tax has been provided on the revaluation surplus of the Group's properties situated in the PRC as the Group does not have any intention to dispose of such properties.

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2003 dealt with in the financial statements of the Company is HK$64,651,000 (2002: HK$12,151,000).

12. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$10,639,000 (2002: net loss of HK$96,207,000) and the weighted average of 2,206,750,685 (2002: 1,425,600,000) ordinary shares in issue during the year.

The calculation of the diluted earnings per share for the year ended 31 March 2003 is based on the adjusted net profit attributable to shareholders of HK$11,608,000 calculated on the assumption that the convertible bonds of the Company (which would have a dilutive effect on the earnings per share) had been converted on their respective dates of issue. The diluted earnings per share is based on 2,765,934,966 ordinary shares, being the weighted average number of ordinary shares outstanding during the year, plus the weighted average of 559,184,281 shares to be issued on conversion of the outstanding convertible bonds since their respective dates of issue. The share options outstanding during the year have an anti-dilutive effect on the basic earnings per share.

A diluted loss per share amount for the year ended 31 March 2002 has not been disclosed, as the share options outstanding during that year had an anti-dilutive effect on the basic loss per share.

13. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000
Cost or valuation:					
At beginning of year	28,994	12,338	227,192	10,726	279,250
Additions	–	377	1,411	410	2,198
Disposals	(6,820)	–	–	(296)	(7,116)
Write off	–	(491)	–	–	(491)
Surplus on revaluation	13,194	–	–	–	13,194
At 31 March 2003	35,368	12,224	228,603	10,840	287,035
Accumulated depreciation:					
At beginning of year	–	2,408	97,051	9,184	108,643
Provided during the year	622	1,456	18,051	520	20,649
Disposals	–	–	–	(232)	(232)
Write off	–	(491)	–	–	(491)
Reversal of accumulated depreciation upon revaluation	(622)	–	–	–	(622)
At 31 March 2003	–	3,373	115,102	9,472	127,947
Net book value:					
At 31 March 2003	35,368	8,851	113,501	1,368	159,088
At 31 March 2002	28,994	9,930	130,141	1,542	170,607
Analysis of cost and valuation:					
At cost	–	12,224	228,603	10,840	251,667
At 31 March 2003 valuation	35,368	–	–	–	35,368
	35,368	12,224	228,603	10,840	287,035

13. FIXED ASSETS (Cont'd)

The Group's leasehold land and buildings are held under the following lease terms:

	2003 HK$'000	2002 HK$'000
Long term leases in Hong Kong	–	6,820
Medium term leases outside Hong Kong	35,368	22,174
	35,368	28,994

The leasehold land and buildings were revalued by LCH (Asia-Pacific) Surveyors Limited ("LCH"), independent professionally qualified valuers, on the open market, existing use basis or depreciated replacement cost method as appropriate, at 31 March 2003 at HK$35,368,000 in aggregate. The surpluses of HK$9,245,000 (note 7) and HK$4,571,000 so arising have been credited to the profit and loss account and the asset revaluation reserve, respectively.

Had these leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK$28,893,000.

The leasehold land and buildings include a parcel of land located at Lingxia Development Area, Shishuikou Village, Qiaotou Town, Dongguan City, Guangdong Province, the PRC, together with a production plant constructed thereon, for which the Group is still in the process of obtaining the land use right certificate because the related land premium has not yet been paid up. According to the opinion of a PRC legal advisor, there is no legal barrier for the Group to obtain the land and buildings use right certificate. The aggregate carrying value of the land and buildings in this respect as at 31 March 2003 amounted to approximately HK$28,540,000.

The net book value of assets held under finance leases included in the total amount of plant and machinery and motor vehicles at 31 March 2003 amounted to HK$16,182,000 (2002: HK$19,405,000) and HK$195,000 (2002: Nil), respectively.

Certain leasehold land and buildings and plant and machinery were pledged to secure banking facilities granted to the Group (note 23).

14. INVESTMENT PROPERTIES

	Group	
	2003	2002
	HK$'000	HK$'000
At beginning of year	2,180	19,040
Disposal during the year	(2,180)	(14,880)
Deficit on revaluation	–	(1,980)
At 31 March	–	2,180

15. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	HK$'000
Unlisted shares, at cost	159,593	159,593
Provision for impairment	(147,956)	(147,956)
	11,637	11,637
Due from subsidiaries	392,911	266,533
Provision for impairment	(322,671)	(262,587)
	70,240	3,946
Due to subsidiaries	(11,406)	(2,328)
	70,471	13,255

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

15. INTERESTS IN SUBSIDIARIES (Cont'd)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Bestway Group International Limited	British Virgin Islands/ Hong Kong	US$1,100	100	–	Investment holding
Bestget Plastic Products Limited	Hong Kong	Ordinary HK$2 Deferred HK$3,900,000 (Note (a))	–	100	Property holding
Bestway Plastic Products Limited	Hong Kong	Ordinary HK$2 Deferred HK$37,440,000 (Note (a))	–	100	Sale of plastic products
Foga Trading Company, Limited	Hong Kong	Ordinary HK$200 Deferred HK$5,500,000 (Note (a))	–	100	Dormant
Full Happy Limited	Hong Kong	Ordinary HK$2 Deferred HK$3,900,000 (Note (a))	–	100	Dormant

15. INTERESTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Happy Trip Limited	Hong Kong	Ordinary HK$2 Deferred HK$1,200,000 (Note (a))	–	100	Sale of plastic products
Luen Fat Hong Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	–	100	Property and investment holding
Rich Ocean Limited	Hong Kong	Ordinary HK$2 Deferred HK$1,000,000 (Note (a))	–	100	Investment holding
Jetwonder Limited	Hong Kong	HK$1,750,000	–	100	Dormant
Best Faith Plastic Products Limited	Hong Kong	HK$10,000	–	100	Sale of plastic products
Beijing William Shun Plastic Products Co., Ltd.	PRC/ Mainland China	US$4,920,000	–	(Note (b))	Manufacturing of plastic products

15. INTERESTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Dongguan Bestway Plastic Manufactory (Note (c))	PRC/ Mainland China	US$12,741,664	–	97.65	Manufacturing of plastic products
Dongguan Best Faith Plastic Products Limited (Note (d))	PRC/ Mainland China	US$2,826,710	–	100	Manufacturing of plastic products

Notes:

(a) The profits which the company may determine to distribute in respect of any financial year shall be distributed, as regards the first HK$1,000,000,000,000 thereof, among the holders of ordinary shares, with one-half of the balance of the said profits being distributed among the holders of the non-voting deferred shares and the other half of such balance being distributed among the holders of ordinary shares. Save as aforesaid, the non-voting deferred shares carry no other rights to dividends. The non-voting deferred shares carry no rights to attend or vote at general meetings, but carry the rights to receive one-half of the balance of any surplus in a return of capital in a winding-up after the holders of the ordinary shares have received a total return of HK$500,000,000,000.

(b) Beijing William Shun Plastic Products Co., Ltd. ("BJWS") is a contractual joint venture company established by the Group and a PRC partner for a period of 20 years commencing on 6 August 1992. According to the original joint venture agreement and as revised by the supplementary agreement subsequent thereto, the Group and the PRC partner were entitled to 51% and 49% respectively of the results of BJWS. However, pursuant to the subcontracting agreements entered into between the Group and the PRC partner, the PRC partner agreed to waive its 49% entitlement to the results of BJWS in return for a fixed and guaranteed annual fee payable until 2020. Accordingly, the entire results of BJWS for the year have been included in the Group's profit and loss account. At the expiry of the tenure of the co-operative joint venture, the net assets of BJWS will vest with the Group.

(c) This subsidiary is registered as a contractual joint venture under the PRC law.

(d) This subsidiary is registered as a wholly-owned foreign enterprise under the PRC law.

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

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2003	2002
	HK$'000	HK$'000
Share of net assets	48,379	46,178
Provision for impairment	(33,267)	(35,330)
	15,112	10,848

The amount of negative goodwill remaining in consolidated reserves arising from the acquisition of a jointly-controlled entity prior to 1 April 2001, pursuant to the transitional provisions of SSAP 30, was $4,581,000 as at 31 March 2002 and 2003 (note 30(a)).

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

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest, voting power and profit sharing	Principal activities
Shantou SEZ Hua Chang Plastic Packing Co., Ltd.	Corporate	PRC/ Mainland China	40	Manufacturing of plastic products
Shenzhen Wuye Jifa Warehouse Co., Ltd. ("SWJ")	Corporate	PRC/ Mainland China	25	Property holding

SWJ's major asset is the holding of a parcel of land located at Yantian Port, Yantian, Shenzhen, Guangdong Province, the PRC (the "Land"). The accumulated deficit arising from the revaluation of the Land as at 31 March 2003 performed by independent professionally qualified valuers has been included in the provision for impairment.

The Group's entire interest in SWJ is pledged to secure banking facilities granted to the Group (note 23).

17. LONG TERM INVESTMENT

	Group	
	2003	2002
	HK$'000	HK$'000
Unlisted equity investment	11,128	11,128
Provision for impairment	(7,978)	(7,978)
	3,150	3,150

The Group's long term investment represents an investment in Chengdu Xingxing Rich Ocean Plastic Products Co., Ltd. ("CD Rich Ocean"), a former subsidiary of the Company, which was subcontracted to the PRC joint venture partner during a prior year. According to the subcontracting agreements, the Group forfeited its rights to exercise significant influence/control over the financial and operating policy decisions of CD Rich Ocean in return for a fixed and guaranteed annual subcontracting fee receivable until 2015. When CD Rich Ocean lost its status as a subsidiary of the Group in prior years, it was reclassified as a long term investment accordingly.

The Group's interest in CD Rich Ocean is held on a long term basis and is stated at the Group's share of the net assets as at the date when the Group's forfeiture of its control became effective, less (i) amortisation for the investment amounts which will be recovered through the receipt of subcontracting fees from the joint venture partners over the subcontracting period; and (ii) any impairment losses.

18. PREPAID RENTALS

As at 31 March 2003, the Group has prepaid an amount of approximately HK$10,745,000 (2002: HK$12,903,000) in respect of the rentals for the land and buildings situated in Mainland China under an operating lease agreement for the period up to 26 July 2008. At the balance sheet date, the portion of the prepaid rental for the year ending 31 March 2004 of approximately HK$2,139,000 (2002: HK$2,054,000) has been included in prepayments, deposits and other receivables under current assets, while an amount of approximately HK$8,606,000 (2002: HK$10,849,000) attributable to the period after 31 March 2004 has been classified as a non-current asset.

19. INVENTORIES

	Group 2003 HK$'000	2002 HK$'000
Raw materials	13,059	13,404
Work in progress	398	545
Finished goods	4,800	2,578
	18,257	16,527

No inventories included above were carried at net realisable value as at the balance sheet date (2002: Nil).

20. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of two months, extending up to three months for major customers. Each customer has a maximum credit limit. Overdue balances are regularly reviewed by the senior management of the Group.

An aged analysis of the accounts and bills receivable as at the balance sheet date, based on invoice date, is as follows:

	Group 2003 HK$'000	2002 HK$'000
Within 30 days	31,981	24,579
Between 31 to 60 days	12,345	5,214
Between 61 to 90 days	9,540	5,452
Over 90 days	4,542	6,901
	58,408	42,146
Less: Provision for doubtful debts	(4,047)	(3,959)
	54,361	38,187

21. PLEDGED DEPOSITS

The Group's bank deposits of HK$1,404,000 as at 31 March 2003 were pledged for trust receipt loans and other short term trade financing facilities granted to the Group (note 23).

22. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the accounts and bills payable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within 30 days	19,800	13,168
Between 31 to 60 days	9,330	3,524
Between 61 to 90 days	7,744	3,316
Over 90 days	8,521	10,209
	45,395	30,217

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2003	2002	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000
Bank overdrafts:				
Secured	–	61,809	–	–
Unsecured	–	2,198	–	987
	–	64,007	–	987
Bank loans:				
Secured	41,895	71,134	7,031	–
Unsecured	20,093	78,632	–	–
	61,988	149,766	7,031	–
Other loans:				
Secured	16,448	16,448	–	–
Unsecured	17,164	12,871	–	–
	33,612	29,319	–	–
	95,600	243,092	7,031	987

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

The interest-bearing bank and other borrowings are further analysed as follows:

	Group		Company	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Bank overdrafts repayable on demand	–	64,007	–	987
Bank loans repayable:				
Within one year	7,297	131,074	–	–
In the second year	23,191	18,692	879	–
In the third to fifth years, inclusive	27,000	–	5,273	–
Beyond five years	4,500	–	879	–
	61,988	149,766	7,031	–
Other loans repayable:				
Within one year	12,870	19,015	–	–
In the second year	4,672	5,888	–	–
In the third to fifth years, inclusive	16,070	4,416	–	–
	33,612	29,319	–	–
	95,600	243,092	7,031	987
Portion classified as current liabilities	(20,167)	(214,096)	–	(987)
Long term portion	75,433	28,996	7,031	–

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

As at 31 March 2003, the Group's bank and other borrowings were secured by:

(i) A pledge of the Group's time deposits amounting to HK$1,404,000 (note 21);

(ii) A legal charge on a parcel of the Group's medium term leasehold land situated outside Hong Kong. The net book value of the land together with the buildings erected thereon was approximately HK$28,540,000 as at 31 March 2003 (note 13);

(iii) The pledge of certain plant and machinery of the Group with an aggregate net book value of HK$42,494,000 (note 13);

(iv) The Group's entire equity interest in a jointly-controlled entity (note 16);

(v) First legal charges over certain ordinary shares of the Company beneficially held by a director and a former director of the Company;

(vi) A joint and several personal guarantee executed by a director and a former director of the Company to the extent of HK$20,000,000 and a personal guarantee executed by a director of the Company to the extent of HK$10,000,000;

(vii) An unlimited corporate guarantee executed by a related company wholly owned by a director of the Company for banks loans in the amount of HK$17,654,000 at 31 March 2003 granted to the Group by one of the bank creditors;

(viii) Guarantees from a company previously owned by a director to the extent of approximately HK$20,093,000;

(ix) Unlimited joint and several personal guarantees executed by a director and his spouse for a bank loan of HK$1,395,000 at 31 March 2003 granted to the Group; and

(x) Corporate guarantees executed by the Company and certain of its subsidiaries.

24. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery and motor vehicles for its manufacturing activities and daily operations. These leases are classified as finance leases and have remaining lease terms ranging from three to five years.

At 31 March 2003, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Present value of minimum lease payments
	2003	2002	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts payable:				
Within one year	1,422	1,372	1,365	1,315
In the second year	1,422	1,372	1,265	1,214
In the third to fifth years, inclusive	1,498	2,788	1,234	2,186
Total minimum finance lease payments	4,342	5,532	3,864	4,715
Future finance charges	(478)	(817)		
Total net finance lease payables	3,864	4,715		
Portion classified as current liabilities	(1,170)	(1,032)		
Long term portion	2,694	3,683		

25. DUE TO JOINT VENTURE PARTNERS

The amounts due to joint venture partners are unsecured, interest-free and are repayable on demand.

26. PROVISION

Group

	Long service payments HK$'000
Provision during the year and at 31 March 2003	575

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained under the heading "Employee benefits" in note 4 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

27. CONVERTIBLE BONDS

		Group and Company	
	Notes	2003 HK$'000	2002 HK$'000
3% First Convertible Bonds (the "First CBs")	(a)	40,000	–
1.5% Second Convertible Bonds (the "Second CBs")	(b)	50,415	–
		90,415	–

Notes:

(a) The First CBs are convertible, at the option of the bondholders, into ordinary shares of HK$0.01 each in the Company at a conversion price of HK$0.05 at any time before 19 September 2009 (the "Maturity Date"). The Company may at any time before the Maturity Date redeem all or some of the First CBs on a pro rata basis at an amount equal to 102% of the principal amount of the First CBs and the accrued interest thereon. The First CBs will be redeemed by the Company on maturity at their principal amount and the accrued interest thereon, if not previously redeemed, purchased and cancelled, or converted.

(b) The Second CBs are convertible, at the option of the bondholders, into ordinary shares of HK$0.01 each in the Company at a conversion price of HK$0.20 at any time before the Maturity Date. The Company may at any time before the Maturity Date redeem all or some of the Second CBs on a pro rata basis at an amount equal to 102% of the principal amount of the Second CBs and the accrued interest thereon. The Second CBs will be mandatorily converted into ordinary shares of HK$0.01 each in the Company on maturity, if not previously redeemed, purchased and cancelled, or converted.

28. SHARE CAPITAL

Shares

	2003 HK$'000	2002 HK$'000
Authorised		
24,000,000,000 ordinary shares of HK$0.01 each		
(2002: 2,400,000,000 ordinary shares of HK$0.10 each)	**240,000**	240,000
Issued and fully paid:		
2,851,200,000 ordinary shares of HK$0.01 each		
(2002: 1,425,600,000 ordinary shares of HK$0.10 each)	**28,512**	142,560

(a) Pursuant to a special resolution passed on 29 July 2002, the nominal value of the issued shares of the Company was reduced from HK$0.10 to HK$0.01 by the cancellation of paid-up capital of HK$0.09 on each issued share. The credit arising from the capital reduction of HK$128,304,000 was utilised to eliminate part of the accumulated losses of the Company (note 30(b)).

(b) On 29 July 2002, pursuant to the same special resolution in (a) above, each of the unissued shares of HK$0.10 each for the authorised share capital of the Company was subdivided into 10 new shares of HK$0.01 each.

(c) On 9 September 2002, the Company raised approximately HK$29,780,000, net of expenses, by way of an open offer of 1,425,600,000 new ordinary shares of HK$0.01 each of the Company at HK$0.022 per offer share in the proportion of one offer share for every then existing ordinary share in issue. The proceeds from the open offer were applied to repay the Group's indebtedness owed to the Participating Banks. The excess of the share issue proceeds received over the nominal value of shares issued, amounting to approximately HK$17,107,000, was credited to the share premium account (note 30(b)).

28. SHARE CAPITAL (Cont'd)

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

		Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2001 and 1 April 2002		1,425,600,000	142,560	131,062	273,622
Capital reduction	(a)	–	(128,304)	–	(128,304)
Open offer	(c)	1,425,600,000	14,256	17,107	31,363
		2,851,200,000	28,512	148,169	176,681
Share issue expenses	(c)	–	–	(1,584)	(1,584)
At 31 March 2003		2,851,200,000	28,512	146,585	175,097

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

29. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 3 and under the heading "Employee benefits" in note 4 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the executive directors of the Company and any of its subsidiaries, and other employees of the Group. The Scheme became effective on 13 September 1995 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

29. SHARE OPTION SCHEME (Cont'd)

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 March 2003, there were no shares issuable under share options as there were no share options outstanding at the balance sheet date.

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

An option may not be transferred, charged, mortgaged or assigned and is personal to the grantee.

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and in any event is not later than three years commencing on the expiry of six months after the date on which the share options are accepted or the expiry date of the Scheme, if earlier.

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

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

29. SHARE OPTION SCHEME (Cont'd)

The following share options were outstanding under the Scheme during the year:

Name or category of participants	Number of share options At 1 April 2002	Lapsed during the year	At 31 March 2003	Date of grant*	Exercise period of share options	Exercise price of share options** HK$	Share price of the Company at grant date*** HK$
Executive directors							
Tang Kuan Chien	10,000,000	(10,000,000)	-	27 August 1999	27 February 2001 to 26 February 2003	0.10	0.105
Chan Ying Kay, Keith	10,000,000	(10,000,000)	-	27 August 1999	27 February 2001 to 26 February 2003	0.10	0.105
Chang Bin Lin	18,200,000	(18,200,000)	-	29 September 1999	29 March 2001 to 28 March 2003	0.10	0.119
	38,200,000	(38,200,000)	-				

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the HKSE closing price on the trading day immediately prior to the date of the grant of the options.

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 30 of the financial statements.

The contributed surplus of the Group arose as a result of the Group reorganisation prior to its public listing on 2 October 1995 and represents the difference between the nominal value of the share capital of the former holding company of the Group acquired pursuant to the Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

The Group has applied the transitional provisions of SSAP 30 "Business combinations" which permit goodwill and negative goodwill in respect of acquisitions of subsidiaries and jointly-controlled entities that occurred prior to 1 April 2001 to remain eliminated against consolidated reserves or credited to the capital reserve, respectively. The amount of negative goodwill remaining in consolidated reserves arising from the acquisition of a jointly-controlled entity prior to 1 April 2001 was HK$4,581,000 as at 31 March 2002 and 2003. The amount of goodwill that remained eliminated against reserves pursuant to the above provision of SSAP 30 of HK$15,711,000 was fully impaired in a prior year and was charged to the profit and loss account during that prior year.

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2001	131,062	159,393	(416,851)	(126,396)
Net loss for the year	–	–	(12,151)	(12,151)
At 31 March 2002 and 1 April 2002	131,062	159,393	(429,002)	(138,547)
Capital reduction (note 28(a))	–	–	128,304	128,304
Issue of shares (note 28(c))	17,107	–	–	17,107
Share issue expenses	(1,584)	–	–	(1,584)
Net loss for the year	–	–	(64,651)	(64,651)
At 31 March 2003	146,585	159,393	(365,349)	(59,371)

30. RESERVES (Cont'd)

(b) Company (Cont'd)

The contributed surplus of the Company arose as a result of the Group reorganisation referred to in note 30(a) and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefor.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Prior year adjustments

SSAP 15 (Revised) was adopted during the current year, as detailed in note 3 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that interest received and paid, and taxes paid are now included in cash flows from operating activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

Also, the definition of "cash equivalents" under the revised SSAP 15 has been revised from that under the previous SSAP 15, as explained under the heading "Cash and cash equivalents" in note 4 to the financial statements. This has resulted in trust receipt loans no longer qualifying as cash equivalents. The amount of cash equivalents in the consolidated cash flow statement at 1 April 2001 and 31 March 2002 have been adjusted to remove trust receipt loans amounting to HK$48,867,000 and HK$58,820,000 respectively, previously included in cash equivalents at those dates. The year's movement in trust receipt loans is now included in cash flows from financing activities and the comparative cash flow statement has been changed accordingly.

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

(b) Major non-cash transactions

(i) During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the lease of HK$206,000.

(ii) During the year, as further detailed in note 2 to the financial statements, bank overdrafts and other bank loans of HK$64,007,000 and HK$62,408,000, respectively, were settled by the issuance of convertible bonds or rescheduled into the ST Loan, which did not result in any cash flows.

32. CONTINGENT LIABILITIES

At the balance sheet date, the Company's contingent liabilities not provided for in the financial statements were as follows:

	2003 HK$'000	2002 HK$'000
Guarantees of banking facilities granted to subsidiaries	348,410	320,816
Guarantees of finance leases granted to subsidiaries	3,683	4,716
	352,093	325,532

In respect of the Company's guarantees for banking facilities granted to its subsidiaries, the balance drawn down by the subsidiaries at the balance sheet date amounted to approximately HK$33,469,000.

At the balance sheet date, the Group had contingent liabilities in respect of corporate guarantee for banking facilities granted to independent third parties for an amount of HK$1,869,000 in total.

33. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises, factory premises and staff quarters under operating lease arrangements. Leases for premises are negotiated for terms ranging from two to seven years. The terms of the leases generally require the Group to pay deposits.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2003 HK$'000	2002 HK$'000
Within one year	831	750
In the second to fifth years, inclusive	380	274
After five years	755	–
	1,966	1,024

At the balance sheet date, the Company did not have any significant operating lease commitments.

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group and the Company had the following commitments at the balance sheet date:

(a) The Company had a contracted commitment in respect of a capital contribution to a subsidiary operating in Mainland China amounting to US$3,603,000 (equivalent to approximately HK$28,106,000).

(b) The Group had a contracted commitment in respect of guaranteed annual payments to the minority owner of a subsidiary operating in Mainland China of approximately HK$21,963,000 in aggregate (with HK$1,869,000 payable within one year).

(c) The Group had unprovided commitments of RMB18,197,000 (equivalent to approximately HK$17 million) in respect of the land premium for a parcel of land located in Dongguan, the PRC.

(d) The Company had contracted commitments in respect of purchases of fixed assets amounting to HK$600,000.

35. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

(a) The Group paid underwriting commission of HK$100,000 to Best Online Limited in relation to the Company's open offer of shares during the year (note 28(c)). Best Online Limited is currently a substantial shareholder of the Company and is wholly owned by the spouse of a director of the Company.

(b) Certain of the Group's banking facilities were supported/pledged by personal guarantees executed by a director and his spouse, and ordinary shares in the Company held by a director, as further disclosed in note 23 to the financial statements.

36. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 July 2003.