1 PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policy below, certain properties are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAP") issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

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

The adoption of the SSAPs had no material impact on the reported financial results of the Group.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting (Continued)

(ii) Associated company

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

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

Equity accounting is discontinued when the carrying amount of the interest in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(iii) Foreign currency

(i) Foreign currency transactions

The Company and its subsidiaries maintain their books and records in the primary currencies of their respective countries. Transactions in other currencies are translated into the local currencies at exchange rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are re-translated at exchange rates prevailing at that date. All exchange differences, other than those capitalised as a component of borrowing costs, are recognised in the profit and loss account in the period in which they arise.

(ii) Foreign entities

The accounts of foreign consolidated subsidiaries are translated into Hong Kong dollars using the year-end exchange rates with respect to the balance sheet, and the average rate for the year with respect to the profit and loss account. All resulting translation differences are included in the translation reserve included in equity.

(iii) Foreign operations

Where the operations of a foreign company are integral to the operations of the Group, the translation principles are applied as if the transactions of the foreign operations had been those of the Group, i.e. foreign currency monetary items are translated using the closing rate, income and expense items are translated at the exchange rates in effect on the dates of the transactions, and resulting exchange differences are recognised in the profit and loss account during the year.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are valued by an independent qualified valuer. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

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

(ii) Construction-in-progress

Construction-in-progress represents plant and properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent these are regarded as an adjustment to interest costs.

Construction-in-progress is not depreciated until such time as the assets are completed and ready for their intended use.

(iii) Other fixed assets

Fixed assets, other than investment properties and construction-in-progress, are stated at cost less accumulated depreciation and accumulated 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 the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, 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 beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of the fixed asset.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Fixed assets (Continued)

(iv) Depreciation

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the depreciable amount of each asset over its estimated useful life. The principal annual rates or useful lives are as follows:

Leasehold land	Over the terms of the leases
Buildings	2% or the terms of the leases, if shorter
Leasehold improvements	14.3% – 20%
Plant and machinery	20%
Furniture, fixtures, office and computer equipment	20%
Motor vehicles	20% – 25%
Moulds	20%

(v) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in construction-in-progress and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset other than investment properties and construction-in-progress is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(d) Assets under leases

(i) Finance leases

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

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(f) Trade receivables

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

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(h) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(i) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Defined contribution plans

The Group operates a defined contribution plan for the Hong Kong employees based on local laws and regulations. The plan covers full-time employees. The Group's contributions to the defined contribution plan are expensed as incurred.

Pursuant to the Mainland China law and regulations, contributions to the defined contribution retirement schemes for the Group's local staff are made to the relevant government authorities in Mainland China, which are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in Mainland China. These contributions are charged to the consolidated profit and loss account as incurred.

(j) Deferred taxation

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Contingent liabilities

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

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

(l) Revenue recognition

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.

Rental income is recognised on a straight-line basis over the lease terms.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(m) Borrowing costs

Interest is expensed as incurred, except for interest directly attributable to the construction of leasehold land and buildings under development which is capitalised as part of the cost of that leasehold land and buildings. Interest is capitalised at the weighted average cost of the related borrowings up to the date of completion of the leasehold land and buildings.

Other borrowing costs, including amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arranging borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs are recognised as an expense in the year incurred.

(n) Segments

In accordance with the Group's internal financial reporting the Group has determined that geographical segment be presented as the primary reporting format and no business segment information is provided as over 90% of the turnover and contribution to the Group's results are attributable to the manufacturing and trading of household products in Hong Kong and Mainland China.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located. Unallocated costs represent corporate expenses.

No analysis of the segment assets, liabilities and capital expenditure information by geographical locations is provided as all the production facilities of the Group are located in Mainland China.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events), are reflected in the accounts. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(p) Use of estimates

The preparation of accounts in conformity with accounting principles generally accepted in Hong Kong requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2 TURNOVER AND OTHER REVENUES

An analysis of turnover and other revenues are follows:

	Group	
	2003 HK$'000	2002 HK$'000
Turnover		
Sale of goods	523,399	434,749
Other revenues		
Rental income, net of outgoings	444	454
Interest income	1,191	1,671
Others	1,197	1,358
	2,832	3,483
Total revenues	526,231	438,232

3 SEGMENT INFORMATION

(a) Geographical segments

An analysis of the Group's turnover and results for the year by location of customers is as follows:

	Turnover		Segment results	
	2003	2002	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000
United States of America	313,742	235,424	63,056	51,700
Canada	36,380	31,809	5,354	7,523
Hong Kong	39,432	42,274	9,676	6,784
Mainland China	91,558	90,453	763	11,206
Europe	23,817	21,301	3,323	4,621
Others	18,470	13,488	3,780	3,383
	523,399	434,749	85,952	85,217
Unallocated costs			(52,711)	(57,187)
Operating profit			33,241	28,030

(b) No business segment information is provided as over 90% of the turnover and contribution to the Group's results are attributable to the manufacturing and trading of household products.

4 MAJOR CUSTOMER

During the year, the largest customer accounted for approximately 41% (2002 – 29%) of the total sales of the Group.

5 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Group	
		As restated
	2003	2002
	HK$'000	HK$'000
Crediting:		
Write-back of provision for bad and doubtful debts	427	–
Write-back of provision for inventory obsolescence	7,403	6,593
Interest income	1,191	1,671
Rental income (less outgoings)	444	454
Write-back of provision for impairment in value of an associated company	294	85
Charging:		
Auditors' remuneration	800	800
Depreciation:		
– Owned fixed assets	36,478	40,868
– Leased fixed assets	1,141	3,284
	37,619	44,152
Operating lease rentals of land and buildings	6,121	5,858
Staff costs (excluding directors' emoluments)	79,734	56,153
Exchange losses, net	924	86
Loss on disposal of fixed assets	1,824	503
Provision for bad and doubtful debts	–	1,940
Deficit on revaluation of investment properties	2,014	–

6 FINANCE COSTS

	Group 2003 HK$'000	Group 2002 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	4,140	7,676
Convertible bonds	2,285	2,291
Finance lease obligations	644	689
Total finance costs	7,069	10,656
Less: Interest capitalised in construction-in-progress *(note 14)*	–	(61)
	7,069	10,595

7 TAXATION

	Group 2003 HK$'000	Group 2002 HK$'000
Hong Kong		
– Current year provision	9,620	235
Mainland China		
– Current year provision	546	174
Deferred tax *(note 27)*	(2,428)	1,721
Tax expenses for the year	7,738	2,130

Hong Kong profits tax has been provided at the rate of 16% (2002 – 16%) on the estimated assessable profit for the year. Overseas taxation has been calculated on the estimated assessable profit for the year at the rates prevailing in the respective jurisdictions.

The tax exemption and relief period of the Group's subsidiary registered in Mainland China expired in 2001. During the year, the Mainland China income tax has been provided at 15% on the estimated assessable profits generated by the Mainland China subsidiary.

As at 31st March, 2003, the Inland Revenue Department of Hong Kong had issued notices of assessments or additional assessments to a number of the companies within the Group and challenged certain intercompany charges and profit allocations within the Group for Hong Kong profits tax purposes. The Group has filed objections to these assessments. Depending on the outcome of the final assessments, the Group may be subject to additional tax. In this connection, management believes that the Group has made an adequate provision for the potential additional tax liabilities.

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders included the Company's net profit of approximately HK$413,000 (2002 – HK$98,000).

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of approximately HK$18,114,000 (2002 – HK$15,690,000), divided by the weighted average number of ordinary shares outstanding during the year of 868,733,440 shares (2002 – 868,733,440 shares).

The calculation of diluted earnings per share is based on adjusted consolidated net profit of approximately HK$20,034,000 (2002 – HK$17,610,000) on the assumption that all convertible bonds were converted on 1st April, 2002 and on the weighted average number of 1,304,366,720 shares (2002 – 1,304,366,720 shares) deemed to have been in issue during the year.

Reconciliation of the number of ordinary shares for calculation of basic and diluted earnings per share are as follows:

	Group	
	2003	2002
Weighted average number of ordinary shares used in calculating basic earnings per share	868,733,440	868,733,440
Deemed issue of ordinary shares at no consideration	435,633,280	435,633,280
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,304,366,720	1,304,366,720

10 STAFF COSTS

	Group	
		As restated
	2003	2002
	HK$'000	HK$'000
Wages and salaries	70,632	52,975
Termination benefits	2,586	2,100
Pension costs – defined contribution plans *(note 23)*	6,516	1,078
	79,734	56,153

11 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to the Listing Rules issued by the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Group	
	2003 HK$'000	2002 HK$'000
Fees:		
Executive directors	–	–
Non-executive directors	140	140
Independent non-executive directors	580	580
	720	720
Other emoluments:		
Executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	2,950	2,280
Contributions to pension scheme	24	24
	3,694	3,024

The emoluments of the directors analysed by the number of directors and emolument ranges are as follows:

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

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

12 FIVE HIGHEST PAID EMPLOYEES

Of the five highest paid employees in the Group, two (2002 – two) are directors of the Company whose emoluments are included in note 11 above. The emoluments payable to the remaining three (2002 – three) highest paid employees are as follows:

	Group	
	2003 HK$'000	2002 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	2,895	2,675
Contributions to pension scheme	24	31
	2,919	2,706

The emoluments fell within the following band:

	Group Number of employees	
	2003	2002
Emolument bands		
Nil – HK$1,000,000	2	2
HK$1,000,001 – HK$1,500,000	1	1
	3	3

13 ADDITIONAL FINANCIAL INFORMATION ON CONSOLIDATED BALANCE SHEET

As at 31st March, 2003, the net current assets of the Group amounted to approximately HK$36,855,000 (2002 – HK$39,608,000). On the same date, the total assets less current liabilities were approximately HK$406,358,000 (2002 – HK$412,123,000).

14 FIXED ASSETS

	Group								
	2003								
	Investment properties HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office and computer equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost or valuation:									
Beginning of year	3,614	327,005	21,643	94,392	29,771	14,391	134,279	–	625,095
Additions	–	52	188	12,867	3,014	545	19,213	3,315	39,194
Disposals	–	–	(60)	(1,282)	(563)	(1,956)	(9,081)	–	(12,942)
Revaluation *(note 5)*	(2,014)	–	–	–	–	–	–	–	(2,014)
Transfer from construction-in-progress	–	1,444	1,169	443	–	–	–	(3,056)	–
End of year	1,600	328,501	22,940	106,420	32,222	12,980	144,411	259	649,333
Accumulated depreciation and impairment:									
Beginning of year	–	28,302	13,528	77,732	23,673	12,698	98,133	–	254,066
Charge for the year	–	6,798	2,646	7,190	3,191	1,177	16,617	–	37,619
Disposals	–	–	(45)	(1,241)	(549)	(1,862)	(6,992)	–	(10,689)
End of year	–	35,100	16,129	83,681	26,315	12,013	107,758	–	280,996
Net book value									
End of year	1,600	293,401	6,811	22,739	5,907	967	36,653	259	368,337
Beginning of year	3,614	298,703	8,115	16,660	6,098	1,693	36,146	–	371,029

14 FIXED ASSETS (Continued)

The analysis of the cost or valuation at 31st March, 2003 of the above assets is as follows:

	Investment properties HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office and computer equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction-in-progress HK$'000	Total HK$'000
At cost	–	328,501	22,940	106,420	32,222	12,980	144,411	259	647,733
At valuation	1,600	–	–	–	–	–	–	–	1,600
	1,600	328,501	22,940	106,420	32,222	12,980	144,411	259	649,333

The anlaysis of the cost or valuation at 31st March, 2002 of the above assets is as follows:

	Investment properties HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office and computer equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction-in-progress HK$'000	Total HK$'000
At cost	–	327,005	21,643	94,392	29,771	14,391	134,279	–	621,481
At valuation	3,614	–	–	–	–	–	–	–	3,614
	3,614	327,005	21,643	94,392	29,771	14,391	134,279	–	625,095

Net book value of leased assets:

	Investment properties HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office and computer equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction-in-progress HK$'000	Total HK$'000
At 31st March, 2003	–	–	–	7,803	–	234	–	–	8,037
At 31st March, 2002	–	–	–	–	–	–	2,860	–	2,860

14 FIXED ASSETS (Continued)

The Group's interests in investment properties and leasehold land and buildings at their net book values are analysed as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Under medium term leases:		
Hong Kong	26,548	29,141
Mainland China	268,453	273,176
	295,001	302,317

Investment properties were revalued at 28th February, 2003 on the basis of their open market value by C.S Surveyor, an independent qualified valuer employed by the Group.

All of the Group's fixed assets are pledged against secured bank loans and convertible bonds of approximately HK$105.6 million (2002 – HK$129.5 million) and HK$87.1 million (2002 – HK$87.1 million) respectively.

The Group's construction-in-progress is all situated outside Hong Kong under medium term leases. During the year ended 31st March, 2003, no material interest was capitalised in leasehold land and buildings (2002 – HK$61,000).

15 INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	HK$'000
Non-current:		
Unlisted shares, at cost	158,598	158,598
Due from subsidiaries	518,436	578,030
Due to subsidiaries	(48,253)	(67,282)
	628,781	669,346
Less: Provision for impairment in value	(293,913)	(294,121)
	334,868	375,225
Current:		
Due from subsidiaries	38,430	–
Due to subsidiaries	(14,612)	–

15 INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES (Continued)

Details of the Company's principal subsidiaries as at 31st March, 2003 are as follows:

Name	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held				
Magician Investments (BVI) Limited	British Virgin Islands	US$6 ordinary	100%	Investment holding
Treasure Trend Development Limited	British Virgin Islands	US$1 ordinary	100%	Investment holding
Indirectly held				
Diyon Development Limited	Hong Kong	HK$3 ordinary	100%	Purchasing of paper, plastic and metal materials and products
Magicgrand Development Limited	British Virgin Islands	US$1 ordinary	100%	Manufacturing and trading of plastic and metal products
Magician Industrial Company Limited	Hong Kong	HK$5 ordinary	100%	Marketing and trading of plastic and metal products
Jinda Plastic Metal Products (Shenzhen) Co., Ltd.	Mainland China	HK$180,000,000 registered capital	100%	Manufacturing and trading of plastic and metal products
More Concept Limited	Hong Kong	HK$3 ordinary	100%	Marketing and trading of plastic and metal products
Nicole (China) Company Limited	Hong Kong	HK$2 ordinary	100%	Marketing and trading of plastic and metal products
Grandmate Industrial Company Limited	Hong Kong	HK$251,000 ordinary	100%	Marketing and trading of plastic and metal products
Hopeward Holdings Limited	British Virgin Islands	US$1 ordinary	100%	Property holding
Falton Investment Limited	Hong Kong	HK$2 ordinary	100%	Property holding

15 INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES (Continued)

All of the above subsidiaries operate principally in Hong Kong except for Magicgrand Development Limited and Jinda Plastic Metal Products (Shenzhen) Co., Ltd.

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

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for the amounts due from/to subsidiaries arising from general working capital transactions, which are classified as current assets and current liabilities.

The directors are of the opinion that the underlying value of the subsidiaries was not less than the carrying amount of the subsidiaries as at 31st March, 2003.

16 INTEREST IN AN ASSOCIATED COMPANY

	Group	
	2003	2002
	HK$'000	HK$'000
Share of net assets	1,106	1,426
Due from an associated company	524	818
	1,630	2,244
Less: Provision for impairment in value	(464)	(758)
	1,166	1,486

The amount due from the associated company is unsecured, interest bearing at 4% per annum and has no fixed repayment terms.

The Group holds 40% of the issued share capital of Techable Industrial Limited, a company that is incorporated in Hong Kong and is engaged in the manufacturing and trading of metal products in Hong Kong.

The directors are of the opinion that the underlying value of the associated company was not less than its carrying amount as at 31st March, 2003.

17 INVENTORIES

	Group	
	2003	2002
	HK$'000	HK$'000
Raw materials	29,840	21,502
Work in progress	20,014	12,880
Finished goods	46,952	36,539
	96,806	70,921
Less: Provision for inventory obsolescence	(10,882)	(18,285)
	85,924	52,636

At 31st March, 2003, no inventories are carried at net realisable value.

18 TRADE AND BILLS RECEIVABLES

	Group	
	2003	2002
	HK$'000	HK$'000
Trade receivables	100,530	83,000
Bills receivable	5,718	5,111
	106,248	88,111
Less: Provision for bad and doubtful debts	(10,650)	(11,077)
	95,598	77,034

18 TRADE AND BILLS RECEIVABLES (Continued)

An aging analysis of trade and bills receivables is set out below:

	Group	
	2003 HK$'000	2002 HK$'000
Less than 1 month	40,857	35,924
1 month to 2 months	25,427	20,780
2 months to 3 months	15,915	12,075
3 months to 6 months	12,903	9,116
6 months to 1 year	4,737	4,776
More than 1 year	6,409	5,440
	106,248	88,111
Less: Provision for bad and doubtful debts	(10,650)	(11,077)
	95,598	77,034

Trade receivables are due after 30 days to 60 days.

19 TRADE PAYABLES

An aging analysis of trade payables is set out below:

	Group	
	2003 HK$'000	2002 HK$'000
Less than 3 months	52,678	25,665
3 months to 6 months	7,396	1,818
6 months to 1 year	793	1,245
More than 1 year	977	295
	61,844	29,023

20 BANK BORROWINGS

	Group		Company	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Mortgage loan	–	2,401	–	–
Short-term bank loans	66,995	53,249	–	–
Long-term bank loan	65,641	87,641	65,641	87,641
	132,636	143,291	65,641	87,641
Of which:				
Secured	132,636	143,291	65,641	87,641
The terms of repayment of the bank borrowings are analysed as follows:				
Within one year or on demand	88,995	77,650	22,000	22,000
More than one year, but not exceeding two years	22,000	22,000	22,000	22,000
More than two years, but not exceeding five years	21,641	43,641	21,641	43,641
Total within five years	132,636	143,291	65,641	87,641
Portion classified in current liabilities	(88,995)	(77,650)	(22,000)	(22,000)
Long-term portion	43,641	65,641	43,641	65,641

In November 2000, the Group entered into a Debt Restructuring Deed ("DRD") with eighteen bankers ("Bank Group") of the Group to restructure the outstanding bank indebtedness of the Group. Details of which could be found in the Group's announcement dated 30th October, 2000 and in the 2001 and 2002 annual reports.

As a result of the debt restructuring, (i) a debt compromise arrangement was made to settle a certain amount of the debt; (ii) a significant portion of the outstanding debts of the Group was dealt with through the issuance of convertible bonds (see note 22); and (iii) the balance of approximately HK$110 million was dealt with through a long-term loan with interest at the 3-month Hong Kong Inter-bank Offer Rate plus 1% per annum. The principal of the long-term loan is repayable every six months at HK$11 million with the final payment on 17th December, 2005. At the end of the fifth year, the remaining balance of the term loan is due in full. Interest expense associated with the term loan is payable on a quarterly basis.

At 31st March, 2003, the long-term bank loan was secured by pledges of the Group's fixed assets (see note 14) as well as certain restricted bank deposits (see note 31(b)).

21 FINANCE LEASE OBLIGATIONS

As at 31st March, 2003, the Group's and the Company's finance lease liabilities were repayable as follows:

	Group		Company	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Total minimum lease payments under finance leases:				
– Within one year	4,726	4,271	4,612	–
– In the second year	556	–	471	–
	5,282	4,271	5,083	–
Future finance charges on finance leases	(232)	(221)	(217)	–
Present value of finance lease liabilities	5,050	4,050	4,866	–
The present value of finance lease liabilities is as follows:				
– Within one year	4,501	4,050	4,399	–
– In the second year	549	–	467	–
	5,050	4,050	4,866	–

22 CONVERTIBLE BONDS

	Group and Company	
	2003 HK$'000	2002 HK$'000
Zero Coupon Secured Convertible Bonds ("Zero CB"):		
Beginning and end of year	30,000	30,000
4% Coupon Secured Convertible Bonds ("4% CB"):		
Beginning and end of year	57,127	57,127
Total	87,127	87,127

The Zero CB and 4% CB were issued at their principal amounts and bear interest at 0% and 4% per annum respectively. The Company may, at any time, redeem all or part of the Zero CB and/or 4% CB at their principal amounts together with all interest outstanding before 15th December, 2005. The Zero CB and 4% CB are guaranteed by the Group's fixed assets (see note 14).

22 CONVERTIBLE BONDS (Continued)

The major terms of the Zero CB and the 4% CB are as follows: (i) repayment of the principal amount outstanding together with all interest outstanding on the 5th anniversary of the date of issue; (ii) conversion rights at HK$0.20 per share, or at HK$0.15 per share in the event of default, for fully paid ordinary shares of the Company (subject to further adjustment as stipulated in the DRD); (iii) a conversion period of 5 years from the date of issue; and (iv) in respect of the 4% CB, an annual interest rate of 4% payable in arrears every six months.

Subject to the rights of redemption by the Company, the Zero CB and 4% CB are convertible into fully paid ordinary shares of HK$0.10 each of the Company at the option of the holder at a conversion price of HK$0.20 per share at any time on or before 15th December, 2005. The conversion price is subject to adjustment upon the occurrence of certain events as defined in the agreement pertaining to the issuance of the Zero CB and 4% CB.

According to the DRD, the Group has to, amongst others, comply with the following financial covenants:

(a) The gearing ratio should not exceed 100% for the years ending from 31st December, 2003 to 2005;

(b) The ratio of EBIT to interest expense should not be less than 1.5 for the year ending 31st December, 2003 and should not be less than 2.0 for the year ending 31st December, 2004;

(c) The tangible net worth should not be less than HK$200,000,000 for the years ending from 31st December, 2003 to 2005.

As at 31st March, 2003, the Group was in compliance with the above financial covenants.

23 PENSION RETIREMENT OBLIGATIONS

Since 1st December, 2000, the Group has arranged for its employees in Hong Kong to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The MPF Scheme was introduced pursuant to the Mandatory Provident Fund legislation introduced during that year. Under the MPF Scheme, the Group and each of the employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a cap of monthly earnings of HK$20,000. For those employees with monthly earnings less than HK$5,000, the employees' contributions are voluntary.

The Group's subsidiary in Mainland China also participated in defined contribution retirement schemes covering its full-time Mainland China employees. The schemes are administered by the relevant government authorities in Mainland China. The Group and the Mainland China employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements of Mainland China and the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's subsidiary in Mainland China.

During the year, the amount of employer's contributions made by the Group to the defined contribution plans was approximately HK$6,540,000 (2002 – HK$1,102,000).

24 SHARE CAPITAL

	Company	
	2003	2002
	HK$'000	HK$'000
Authorised:		
4,000,000,000 (2002 – 4,000,000,000) ordinary shares of HK$0.10 each	400,000	400,000
Issued and fully paid:		
868,733,440 (2002 – 868,733,440) ordinary shares of HK$0.10 each	86,873	86,873

25 SHARE OPTION SCHEME

The share option scheme adopted by the Company on 20th September, 1995 (the "Old Option Scheme") was terminated on 8th August, 2002. All share options granted under the Old Option Scheme lapsed in 2001. On 8th August, 2002, a new share option scheme was approved by the shareholders of the Company, under which the directors of the Company may, at their discretion, invite any full-time employee or directors of the Company or its subsidiaries to take up options at a nominal consideration of HK$1 for each option allotment to subscribe for ordinary shares in the Company. As at 31st March, 2003, a total number of 86,873,344 ordinary shares was available for issue which accounts for 10% of the issued share capital. Each option is entitled to subscribe for one ordinary share of the Company and the subscription price is determined by the Board of Directors and shall be:

(1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer; and

(2) the average of closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer,

whichever is higher provided that it shall not be lower than the nominal value of the Shares. Options are exercisable in stages as determined by the Board of Directors from time to time at the date of grant.

No share options were granted or cancelled upon termination of employment during the year. There were also no share options outstanding as at 31st March, 2003.

26 RESERVES

Movements of reserves of the Group and the Company during the year are as follows:

Group	2003 Share premium HK$'000	2003 Capital redemption reserve HK$'000	2003 Translation reserve HK$'000	2003 Contributed surplus HK$'000	2003 Accumulated losses HK$'000	2003 Total HK$'000	2002 Total HK$'000
Beginning of year	282,049	1,265	139	51	(116,413)	167,091	151,401
Net profit for the year	–	–	–	–	18,114	18,114	15,690
End of year	282,049	1,265	139	51	(98,299)	185,205	167,091
The Company and subsidiaries	282,049	1,265	139	51	(99,040)	184,464	166,030
Associated company	–	–	–	–	741	741	1,061
End of year	282,049	1,265	139	51	(98,299)	185,205	167,091

Company	2003 Share premium HK$'000	2003 Capital redemption reserve HK$'000	2003 Contributed surplus HK$'000	2003 Accumulated losses HK$'000	2003 Total HK$'000	2002 Total HK$'000
Beginning of year	282,049	1,265	158,398	(291,978)	149,734	149,636
Net profit for the year	–	–	–	413	413	98
End of year	282,049	1,265	158,398	(291,565)	150,147	149,734

The laws and regulations of Mainland China require wholly foreign-owned enterprises in Mainland China ("WFOE") to provide for certain statutory reserves namely general reserve, enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the statutory accounts.

The Group's subsidiary in Mainland China, which is a WFOE, is required to allocate at least 10% of its after-tax profit to the general reserve until the reserve has reached 50% of its registered capital. The general reserve can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The enterprise expansion fund can only be used to increase capital upon approval by the relevant authority. The staff welfare and bonus fund can only be used for the welfare of the employees of the subsidiary in Mainland China. Appropriation to the enterprise expansion fund and staff welfare and bonus fund is at the discretion of the Board of Directors of the subsidiary in Mainland China.

The Group's subsidiary in Mainland China has not made any appropriations to the statutory reserves because it has recorded a net loss for the year ended 31st March, 2003.

26 RESERVES (Continued)

The contributed surplus of the Group represents the difference between the nominal value of the aggregate share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal value of the Company's shares issued as consideration for the acquisition as at the date of the Group reorganisation in 1995.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of the contributed surplus, if:

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

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

27 DEFERRED TAX LIABILITIES

	Group	
	2003 HK$'000	2002 HK$'000
Beginning of year	2,555	834
Provision for net timing differences *(note 7)*	172	1,721
Transfer to profit and loss account *(note 7)*	(2,600)	–
End of year	127	2,555

Deferred tax liabilities of the Group represent the taxation effect of the timing differences arising from accelerated depreciation allowances. No deferred tax asset has been recognised in respect of the potential tax benefits relating to the tax losses.

As at 31st March, 2003, the Group and the Company had no other significant unprovided deferred tax.

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow generated from operations:

	Group	
		As restated
	2003	2002
	HK$'000	HK$'000
Operating profit	33,241	28,030
Depreciation of fixed assets	37,619	44,152
Loss on disposal of fixed assets	1,824	503
Deficit on revaluation of investment properties	2,014	–
Provision for bad and doubtful debts	–	1,940
Write-back of provision for bad and doubtful debts	(427)	–
Write-back of provision for inventory obsolescence	(7,403)	(6,593)
Write-back of provision for impairment in value of an associated company	(294)	(85)
Interest income	(1,191)	(1,671)
Operating profit before working capital changes	65,383	66,276
Increase in trade and bills receivables, prepayments, deposits and other receivables	(22,845)	(2,549)
(Increase)/decrease in inventories	(25,885)	2,979
Decrease in amount due from an associated company	294	26
Increase in trade payables, other payables and accruals	41,886	6,269
Net cash inflow generated from operations	58,833	73,001

(b) Analysis of changes in financing during the year:

	2003					2002
	Share capital and share premium	Finance lease obligations	Bank loans	Convertible bonds	Total	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Beginning of year	368,922	4,050	143,291	87,127	603,390	639,894
Exchange differences	–	–	–	–	–	343
Interest element of finance leases charged to profit and loss account	–	644	–	–	644	689
Inception of finance leases	–	9,178	–	–	9,178	–
Net cash outflow from financing	–	(8,822)	(10,655)	–	(19,477)	(37,536)
End of year	368,922	5,050	132,636	87,127	593,735	603,390

(c) Major non-cash transactions:

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK$9,178,000 (2002 – Nil).

29 CONTINGENT LIABILITIES

As at 31st March, 2003, the Company had given guarantees to banks in connection with facilities granted to its subsidiaries amounting to approximately HK$26,995,000 (2002 – HK$13,800,000).

30 COMMITMENTS

(a) Capital commitments for land and buildings, and plant and machinery

	Group	
	2003	2002
	HK$'000	HK$'000
Authorised and contracted for	6,730	1,073

(b) Operating commitments

As at 31st March, 2003, the total future minimum lease payments payable under non-cancellable operating leases are as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Properties		
Not later than 1 year	3,491	3,789
Later than 1 year and not later than 5 years	2,838	4,288
Later than 5 years	–	12
	6,329	8,089

31 BANKING FACILITIES

In addition to the long-term bank borrowings as shown in note 20, the Group had aggregate banking facilities of approximately HK$80,000,000 (2002 – HK$81,800,000) for overdrafts, import and export trade financing and working capital as at 31st March, 2003. Unused facilities as at the same date amounted to approximately HK$13,005,000 (2002 – HK$26,200,000). These facilities were secured by the following:

(a) Corporate guarantees given by the Company together with its three wholly-owned subsidiaries in favour of banks for general banking facilities granted to the Group;

(b) Restricted bank deposits of approximately HK$40,923,000 (2002 – HK$42,140,000) held by the security agent of the Bank Group. The Group is restricted from using these bank deposits unless prior approval is obtained from the Bank Group. The deposits earned interest at 0.6% – 1.5% (2002 – 1.3% – 4.7%) per annum during the year.

(c) Certain of the Group's leasehold land and buildings with a total net book value of HK$87,155,000 (2002 – HK$108,620,000) are pledged against secured bank loans of approximately HK$40.0 million (2002 – HK$41.8 million).

32 ULTIMATE HOLDING COMPANY

The directors regard Magician Industries (Holdings) Limited, a company incorporated in Bermuda, as being the ultimate holding company.

33 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 18th July, 2003.