1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Stock Exchange of Hong Kong Limited since 13 October 1998. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

On 23 May 2002, the Company's shareholders received a voluntary conditional cash offer (the "Offer") from Kandy Profits Limited ("Kandy Profits") to acquire all the issued shares of the Company and outstanding share options to subscribe for shares of the Company. Kandy Profits is incorporated in the British Virgin Islands and is wholly owned by Mr. Cheong Tin Yau, a director and the chairman of the Company. After the close of the Offer, Dr. Chiang Lily, a former director of the Company, ceased to be a substantial shareholder of the Company and Kandy Profits became the major substantial shareholder of the Company.

During the year, the Group was involved in the following principal activities:

- manufacture and trading of precision components processing equipment;
- provision of corporate finance and investment advisory services; and
- provision of securities investment and financial services.

Pursuant to an agreement dated 14 July 2003, the Group agreed to acquire the entire issued share capital of Elegant Pool Limited ("Elegant") and the shareholder loan owing by Elegant to its existing shareholder at consideration of approximately $8.7 million and $61.3 million, respectively. Elegant was incorporated in the British Virgin Islands and was engaged in acquiring certain properties situated in Beijing for investment purposes.

Subsequent to the balance sheet date on 22 July 2003, the Group disposed of and discontinued its precision components processing equipment manufacturing business, further details of which are included in note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Amount expressed in Hong Kong dollars unless otherwise stated)

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised 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 33	:	"Discontinuing operations"
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 to this SSAP is that a consolidated statement of changes in equity is now presented on page 23 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 adoption of the revised SSAP 11 has had no effect on the financial statements.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that 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.

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2. The SSAP defines a discontinuing operation and prescribes when an enterprise should commence including discontinuing operations disclosures in its financial statements and the disclosures required. The principal impact of the SSAP is that more extensive disclosures concerning the Group's discontinuing operations are now included in the consolidated profit and loss account, consolidated cash flow statement and note 10 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 schemes, as detailed in note 25 to the financial statements. These share option scheme disclosures are similar to those required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries, together with the Group's share of post-acquisition results and reserves of its associate and jointly-controlled entity under the equity method of accounting. The results of subsidiaries and associates 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 have been eliminated on consolidation.

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 over which the Company can exercise control, which is normally evidenced when the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. In the Company's financial statements, interests in subsidiaries are stated at cost less any impairment losses, while income from subsidiaries is recorded to the extent of dividends received and receivable.

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 its 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint venture companies *(Continued)*

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, 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 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 has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, 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.

Associates

An associate is a company over which the Group has significant influence, but not control or joint control, over its financial and operating policy decisions. In the consolidated financial statements, interests in associates are accounted for under the equity method of accounting, whereby the interests are initially recorded at cost and are adjusted thereafter to recognise the Group's share of the post-acquisition results of associates, distributions received from associates, other necessary alterations in the Group's proportionate interest in associates arising from changes in the equity of associates that have not been included in the profit and loss account of associates, amortisation of the difference between the cost of investment and the Group's share of the aggregate fair value of the identifiable net assets acquired at the date of acquisition (goodwill), and any impairment losses. The Group's share of post-acquisition results of associates is included in the consolidated profit and loss account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount of an asset is recognised in the profit and loss account. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the profit and loss account.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. Major expenditures on modifications and betterments of fixed assets which will increase their future economic benefits are capitalised, while expenditures on maintenance and repairs are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost of each asset over its estimate useful life. The annual rates of depreciation are as follows:

Leasehold land	Over the lease terms
Building	2.2%
Leasehold improvements	25%-33% (Over the unexpired period of the leases)
Machinery and equipment	20%
Furniture and office equipment	20%
Motor vehicles	33%

The depreciation methods and useful lives are reviewed periodically to ensure that the methods and rates of depreciation are consistent with the expected pattern of economic benefits from fixed assets.

Gains and losses on disposal of fixed assets are recognised in the profit and loss account based on the net disposal proceeds less the then carrying amount of the assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values based on directors' valuation on an individual basis.

The gains or losses arising from changes in the fair value of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account in the period in which the impairment arises.

Short term investments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes costs of raw materials determined using the first-in-first-out method of costing and, in the case of work in progress and finished goods, also direct labour and an appropriate proportion of production overheads. Net realisable value is based on estimated selling price in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Individual companies within the Group provide for profits tax on the basis of their profits for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided under the liability method, at the current tax rates, in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except when it is considered that no liability will arise in the foreseeable future. Deferred tax assets are not recognised unless the related benefits are expected to crystallise in the foreseeable future.

Cash and cash equivalents

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

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

Revenue recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenues are recognised on the following bases:

(i) sale of precision components processing equipment is recognised when the merchandise is shipped and title has passed;

(ii) interest income from bank deposits is recognised on a time proportion basis that takes into account the effective yield on the bank deposits;

(iii) corporate finance and investment advisory fees are recognised when services are rendered;

(iv) gain on disposal of marketable securities is recognised on the trade date;

(v) dividend income is recognised when the right to receive payment is established; and

(vi) rental income is recognised on a straight-line basis over the terms of the leases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions and contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Operating leases

Operating leases represent those lease under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Where the Group is the lessor, rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. 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.

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.

Foreign currencies

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the financial statements of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transaction; monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rate of exchange in effect at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account of the individual companies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

The Group prepares consolidated financial statements in Hong Kong dollars. For the purpose of consolidation, all the assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date; all income and expense items are translated into Hong Kong dollars at the applicable average exchange rates during the year. Exchange differences arising from such translation are dealt with as movements in exchange fluctuation reserve.

Employee benefits

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for its eligible employees in Hong Kong who are eligible to participate in the MPF Scheme.

Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in the retirement benefits scheme (the "RB Scheme") operated by the local municipal government in Mainland China. This subsidiary is required to contribute a certain percentage of its payroll costs to the RB Scheme to fund the benefits. The only obligation of the Group with respect to the RB Scheme is to pay the ongoing required contributions under the RB Scheme. Contributions under the RB Scheme are charged to the profit and loss account as they become payable in accordance with the rules of the RB Scheme.

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 has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

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 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. 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:

Continuing operations

(a) the trading of precision components processing equipment;

(b) the provision of securities investment and financial services;

(c) the provision of corporate finance and investment advisory services; and

Discontinuing operations

(d) the manufacture and distribution of precision components processing equipment.

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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

Group

	Continuing operations						Discontinuing operations					
	Trading of precision components processing equipment		Securities investment and financial services		Corporate finance and investment advisory services		Manufacture and distribution of precision components processing equipment		Eliminations		Consolidated	
	2003 $'000	2002 $'000	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000
Segment revenue:												
Sales and services to external customers	**5,429**	17,391	**-**	–	**2,190**	5,208	**28,798**	13,503	**-**	–	**36,417**	36,102
Intersegment sales	**-**	–	**-**	–	**1,680**	4,280	**200**	762	**(1,880)**	(5,042)	**-**	–
Interest income	**16**	–	**788**	7,101	**331**	1,744	**15**	43	**-**	–	**1,150**	8,888
Total	**5,445**	17,391	**788**	7,101	**4,201**	11,232	**29,013**	14,308	**(1,880)**	(5,042)	**37,567**	44,990
Segment results	**(11,338)**	1,919	**(345)**	217	**3,464**	833	**(7,330)**	(1,650)	**(1,880)**	(5,042)	**(17,429)**	(3,723)
Unallocated revenue											**963**	2,224
Unallocated expenses											**(60,114)**	(37,091)
Loss from operating activities											**(76,580)**	(38,590)
Finance costs											**(112)**	–
Share of loss of a jointly-controlled entity											**-**	(222)
Impairment of interest in an associate											**-**	(1,014)
Loss before tax											**(76,692)**	(39,826)
Tax											**612**	(140)
Loss before minority interests											**(76,080)**	(39,966)
Minority interests											**-**	82
Net loss from ordinary activities attributable to shareholders											**(76,080)**	(39,884)

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group

	Continuing operations						Discontinuing operations			
	Trading of precision components processing equipment		Securities investment and financial services		Corporate finance and investment advisory services		Manufacture and distribution of precision components processing equipment		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment assets	**13,487**	17,874	**591**	234	**17,542**	57,401	**42,464**	24,434	**74,084**	99,943
Unallocated assets									**112,039**	167,017
Total assets									**186,123**	266,960
Segment liabilities	**284**	6,633	**246**	289	**3,261**	7,753	**17,304**	9,116	**21,095**	23,791
Unallocated liabilities									**19,857**	22,821
Total liabilities									**40,952**	46,612
Other segment information:										
Depreciation	**971**	56	**86**	–	**170**	770	**1,918**	190	**3,145**	1,016
Unallocated depreciation									**247**	9
Total									**3,392**	1,025
Impairment losses recognised in the profit and loss account									**-**	11,508
Unrealised loss on short term listed investments									**20,190**	5,800
Provision for bad and doubtful debts									**5,866**	1,804
Capital expenditure	**8,009**	132	**441**	–	**136**	211	**12,094**	1,301	**20,680**	1,644
Unallocated capital expenditure									**5,315**	10
Total									**25,995**	1,654

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Taiwan		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Segment revenue:										
Sales and services to external customers	**7,618**	4,902	**14,004**	20,137	**17,305**	11,165	**(2,510)**	(102)	**36,417**	36,102
Other revenue	**1,439**	11,063	**80**	–	**396**	49	**-**	–	**1,915**	11,112
Total	**9,057**	15,965	**14,084**	20,137	**17,701**	11,214	**(2,510)**	(102)	**38,332**	47,214
Other segment information:										
Segment assets	**142,183**	242,535	**21,051**	4,925	**22,889**	19,500	**-**	–	**186,123**	266,960
Capital expenditure	**13,901**	364	**12,012**	–	**82**	1,290	**-**	–	**25,995**	1,654

5. TURNOVER, REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the income from the rendering of services during the year.

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

	2003 **$'000**	2002 $'000
Turnover		
Corporate finance and investment advisory fees:		
Continuing operations	**2,190**	5,208
Sale of precision components processing equipment:		
Continuing operations	**5,429**	17,391
Discontinuing operations	**28,798**	13,503
	36,417	36,102
Other revenue		
Interest income	**1,150**	8,888
Dividend income from listed investments	**59**	302
Rental income	**45**	151
Others	**581**	600
	1,835	9,941
Gains		
Gain on disposal of an associate	**80**	–
Gain on disposal of short term listed investments	**–**	1,171
	80	1,171
	1,915	11,112

6. LOSS FROM OPERATING ACTIVITIES

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

	2003 $'000	2002 $'000
Cost of inventories sold	30,286	21,502
Depreciation	3,392	1,025
Staff costs (excluding directors' remuneration – *note 8*):		
Wages and salaries	10,820	9,306
Retirement scheme contributions	310	251
	11,130	9,557
Auditors' remuneration	650	610
Minimum lease payments under operating leases on leasehold land and buildings	3,689	2,898
Provision for inventory obsolescence	2,258	2,132
Loss on disposal of fixed assets*	297	–
Provision for bad and doubtful debts*	5,866	1,804
Unrealised loss on short term listed investments*	20,190	5,800
Provision for legal and professional costs*	–	18,079
Legal and professional fees in respect of a conditional cash offer to acquire all the issued shares and outstanding share options of the Company*	4,428	–
Loss on disposal of short term listed investments*	19,324	–
Impairment of long term investments transferred from the investment revaluation reserve*	–	10,494
Write-back of provision for staff bonus *(note 22)*	(4,547)	(723)
Write-back of accruals for termination of an operating lease	–	(1,390)

* *Included in "Other operating expenses" on the face of the consolidated profit and loss account.*

7. FINANCE COSTS

Finance costs represent interests on amounts due to securities dealers (2002: Nil).

8. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

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

	Group	
	2003	2002
	$'000	*$'000*
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**380**	195
	380	195
Other emoluments (executive directors):		
Basic salaries, housing benefits, other allowances and benefits in kind	**5,708**	5,840
Compensation for loss of office	**1,000**	–
Retirement scheme contributions	**20**	33
	6,728	5,873
	7,108	6,068

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

	Number of directors	
	2003	2002
Nil – $1,000,000	**10**	4
$1,500,001 – $2,000,000	**–**	1
$2,000,001 – $2,500,000	**2**	–
$3,000,001 – $3,500,000	**–**	1
	12	6

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

8. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Five highest paid employees

Of the five highest paid employees, four (2002: three) were directors of the Company and their remuneration has been included in the directors' remuneration set out above. The details of the remuneration of the remaining one (2002: two) non-director, highest paid employees are as follows:

	Group	
	2003	2002
	$'000	*$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**1,560**	3,093
Retirement scheme contributions	**12**	19
	1,572	3,112

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

Certain employees were also granted share options under the Company's share option scheme, further details of which are set out in note 25 to the financial statements. No value in respect of the share options granted was charged to the profit and loss account at the time when the options were granted.

9. TAX

No Hong Kong profits tax has been provided as the Company, its subsidiaries, associate and jointly-controlled entity had no assessable profits arising in Hong Kong for the year. In the prior year, Hong Kong profits tax had been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during that year.

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, practices and interpretations in respect thereof. In accordance with the relevant tax rules and regulations, the Company's subsidiary registered in Mainland China benefits from income tax exemption and reduction.

Tax recoverable represents the excess of provisional tax paid over the estimated tax liability.

	Group	
	2003	2002
	$'000	*$'000*
Hong Kong	**–**	680
Overprovision in prior year	**(506)**	(540)
Deferred tax *(note 23)*	**(106)**	–
Tax charge/(credit) for the year	**(612)**	140

10. DISCONTINUING OPERATIONS

Pursuant to a sale and purchase agreement dated 22 July 2003, the Group disposed of its entire interests in certain subsidiaries engaging in the manufacture and distribution of precision components processing equipment to an independent third party (the "Purchaser") for a cash consideration of $25 million. The disposal will be completed upon certain procedures to be performed by the Purchaser on or before 21 August 2003. The disposal has no significant impact on the Group's profit and loss account.

The results of the discontinuing operations included in the consolidated profit and loss account for the two years ended 31 March 2003 were as follows:

	2003	2002
	$'000	*$'000*
TURNOVER	**28,798**	13,503
Cost of sales	**(26,969)**	(10,998)
Gross profit	**1,829**	2,505
Other revenue and gains	**712**	805
Selling and distribution expenses	**(374)**	(534)
Administrative expenses	**(9,229)**	(3,859)
Other operating expenses	**(268)**	(567)
LOSS BEFORE TAX	**(7,330)**	(1,650)
Tax	**–**	–
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**(7,330)**	(1,650)

10. DISCONTINUING OPERATIONS *(Continued)*

The carrying amounts of the total assets and liabilities relating to the discontinuing operations as at 31 March were as follows:

	2003	2002
	$'000	*$'000*
Total assets	**42,464**	24,434
Total liabilities	**(17,304)**	(9,116)
Net assets	**25,160**	15,318

11. NET 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 was $117,208,000 (2002: net profit of $34,829,000).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of $76,080,000 (2002: $39,884,000) and the weighted average of 306,833,231 (2002: 304,558,835) ordinary shares in issue during the year, adjusted for rights issue of the Company subsequent to the balance sheet date (note 24).

Diluted loss per share for the years ended 31 March 2003 and 2002 have not been shown because the share options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

13. FIXED ASSETS

Group

	Leasehold land and building $'000	Leasehold improvements $'000	Machinery and equipment $'000	Furniture and office equipment $'000	Motor vehicles $'000	Total $'000
Cost:						
At beginning of year	–	2,366	1,675	2,165	1,041	7,247
Additions	4,480	565	12,000	8,427	523	25,995
Disposals	–	(2,053)	–	(909)	(968)	(3,930)
Exchange adjustment	–	–	7	3	1	11
At 31 March 2003	**4,480**	**878**	**13,682**	**9,686**	**597**	**29,323**
Accumulated depreciation:						
At beginning of year	–	2,103	134	1,170	777	4,184
Provided during the year	51	281	1,694	1,240	126	3,392
Disposals	–	(2,053)	–	(661)	(785)	(3,499)
At 31 March 2003	**51**	**331**	**1,828**	**1,749**	**118**	**4,077**
Net book value:						
At 31 March 2003	**4,429**	**547**	**11,854**	**7,937**	**479**	**25,246**
At 31 March 2002	–	263	1,541	995	264	3,063

The Group's leasehold land and building is situated in Hong Kong and held under medium term lease.

14. INTERESTS IN SUBSIDIARIES

	Company 2003 $'000	2002 $'000
Unlisted shares, at cost	**131,899**	131,899
Due from subsidiaries	**118,955**	17,609
Due to subsidiaries	**(23,893)**	(25,147)
	226,961	124,361
Provision for impairment	**(100,000)**	–
	126,961	124,361

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
New Times Holdings Limited (formerly Pacific Challenge Incorporated)	British Virgin Islands/ Hong Kong	Ordinary $1,000	100%	–	Investment holding
Chateron Corporate Finance Limited	Hong Kong	Ordinary $10,000,000	–	100%	Provision of corporate finance and investment advisory services
Dongguan Long Heng Machinery Company Limited*/**	Mainland China	Registered capital $3,500,000	–	79.1%	Manufacturing and trading of precision components processing equipment
Elect Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	–	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS (Amount expressed in Hong Kong dollars unless otherwise stated)

14. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Express Magic Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
First Up Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Grand Dragon Industrial Limited	British Virgin Islands/ Hong Kong	Ordinary US$50,000	–	79.1%	Investment holding
Grand Dynasty Capital Limited	Hong Kong	Ordinary $3,000,000	–	100%	Investment advisory
Ideal Far East Limited	Hong Kong	Ordinary $10,000	–	100%	Trading of precision components processing equipment
Jefta Holding Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	–	100%	Investment holding
Key Foundation Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Nissin Top Machinery Company Limited*	Taiwan	Ordinary NT$50,000,000	–	79.1%	Manufacturing of machinery
Pacific Challenge Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS (Amount expressed in Hong Kong dollars unless otherwise stated)

14. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Profit Dynamic Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Shine Tech International Limited	Hong Kong	Ordinary $10,000	–	79.1%	Investment holding
South Richest Limited	Hong Kong	Ordinary $2	–	100%	Investment holding
Team World Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	–	100%	Investment holding
Ultra Technologies Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding

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

** *The subsidiary is a foreign enterprise registered in Mainland China to be operated for 12 years up to June 2012.*

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.

15. INTERESTS IN A JOINTLY-CONTROLLED ENTITY

	Group 2003 $'000	Group 2002 $'000
Share of net assets	**49,778**	49,778
Loans from a jointly-controlled entity	**(49,778)**	(49,778)
	–	–

The loans from the jointly-controlled entity represented the Group's withdrawal of substantially its initial investment from the jointly-controlled entity, which is unsecured, interest-free and is not expected to be settled within 1 year.

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity indirectly attributable to the Company	Principal activity
E1-Sky Tech Investment Company Limited	Corporate	Cayman Islands	50%	Investment holding

In the prior year, the Group received investment advisory fee income from the jointly-controlled entity amounted to $1,917,000, which was charged based on 2% of the jointly-controlled entity's net asset managed by the Group.

16. INTEREST IN AN ASSOCIATE

	Group 2003 $'000	Group 2002 $'000
Share of net assets	**–**	1,014
Provision for impairment	**–**	(1,014)
	–	–

16. INTEREST IN AN ASSOCIATE *(Continued)*

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity indirectly attributable to the Company	Principal activity
Pacific Challenge Technology Capital Limited*	Corporate	British Virgin Islands	26%	Investment holding

* *The associate was disposed of to a third party at a consideration of $80,000 during the year.*

17. INVESTMENTS

	Group 2003 $'000	Group 2002 $'000
Other investments		
Unlisted equity investments, at fair value	**5,000**	–
Short term investments		
Listed equity investments, at fair value:		
– Hong Kong	**61,127**	18,656
– Outside Hong Kong	**–**	1,320
	61,127	19,976
Market value of listed equity investments:		
– At balance sheet date	**61,127**	19,976
– At date of report	**32,090**	10,292

18. INVENTORIES

	Group 2003 $'000	2002 $'000
Raw materials	**7,744**	10,693
Work in progress	**2,918**	1,690
Finished goods	**7,824**	8,732
	18,486	21,115
Less: Provision for inventory obsolescence	**(4,390)**	(2,132)
	14,096	18,983

The carrying amount of inventories carried at net realisable value included in the above balance was $13,060,000 (2002: $18,983,000) as at the balance sheet date.

19. TRADE RECEIVABLES

Credit is offered to customers following a financial assessment of the customers or to those customers which have an established payment record. The Group usually allows an average credit period of 90 days to its customers and seeks to maintain strict control over its outstanding receivables. The following is an aged analysis of the trade receivables as at the balance sheet date, based on the invoice date.

	Group 2003 $'000	2002 $'000
Less than 90 days	**6,719**	10,069
91-180 days	**1,774**	5,928
Over 181 days	**6,550**	3,526
	15,043	19,523
Less: Provision for bad and doubtful debts	**(5,675)**	(3,882)
	9,368	15,641

20. TRADE PAYABLES

The following is an aged analysis of trade payables as at the balance sheet date, based on the invoice date.

	Group	
	2003	2002
	$'000	*$'000*
Less than 90 days	**8,141**	8,928
91-180 days	**1,615**	2,255
181-360 days	**300**	10
Over 360 days	**301**	743
	10,357	11,936

21. OTHER PAYABLES AND ACCRUED LIABILITIES

Included in other payables and accrued liabilities of the Group was a loan due to a minority shareholder of a subsidiary amounting to $3,969,000 (2002: $3,964,000). The balance is unsecured, interest-free and has no fixed terms of repayment.

22. PROVISIONS

Group

	Provision for legal and professional costs	**Provision for staff bonus**	**Total**
	$'000	*$'000*	*$'000*
Balance at beginning of year	15,756	7,500	23,256
Additional provision	–	231	231
Amounts utilised during the year	(1,976)	(75)	(2,051)
Reversal of unutilised amounts	–	(4,547)	(4,547)
At 31 March 2003	**13,780**	**3,109**	**16,889**

22. PROVISIONS *(Continued)*

Company

	Provision for legal and professional costs $'000
Balance at beginning of year	15,756
Amounts utilised during the year	(1,976)
At 31 March 2003	**13,780**

Provision for legal and professional costs was made in respect of a litigation as detailed in note 28 to the financial statements. The amount of the provision for legal costs is estimated based on the legal opinion obtained from the independent legal advisors of the Group.

The Group provides staff bonuses for the purpose of providing incentives to encourage executives and management staff to remain with the Group in order to preserve management continuity. The amount of the provision for staff bonus is made based on the directors' estimation.

23. DEFERRED TAX

	Group	
	2003 **$'000**	2002 $'000
Balance at beginning of year	**106**	106
Credit for the year *(note 9)*	**(106)**	–
At 31 March	**–**	106

At 31 March 2003, no provision for deferred tax had been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the year. In the prior year, deferred tax had been provided for, using the liability method, at the rate of 16% on the significant timing differences between the taxable profits and profits reported in the financial statements.

The principal component of the Group's deferred tax liability in the prior year comprised accelerated depreciation allowances.

The unprovided deferred tax asset calculated at 17.5% (2002: 16%) of the attributable timing differences at the balance sheet date is $2,896,000 (2002: $1,046,000) representing principally tax losses carried forward.

24. SHARE CAPITAL

	2003	2002
	$'000	*$'000*
Authorised:		
900,000,000 ordinary shares of $0.10 each	**90,000**	90,000
Issued and fully paid:		
288,868,000 (2002: 286,480,000) ordinary shares of $0.10 each	**28,887**	28,648

During the year, the subscription rights attaching to 2,388,000 share options were exercised at the subscription price of $0.32 per share (note 25), resulting in the issue of 2,388,000 share of $0.10 each for total cash consideration, before expenses, of $764,160.

Subsequent to the balance sheet date, on 9 May 2003, 144,434,000 shares were issued to subscribers, through rights issue, at $0.30 per share, for a total consideration, before expenses, of $43,330,200. The proceeds from the issue of share capital were used to finance the Group's working capital.

The movements in the Company's issued share capital up to the date of this report is as follows:

	Number of shares in issue	**Issued share capital**	**Share premium account**	**Total**
		$'000	*$'000*	*$'000*
At 1 April 2001, 31 March 2002 and 1 April 2002	286,480,000	28,648	65,928	94,576
Share options exercised	2,388,000	239	525	764
At 31 March 2003	288,868,000	28,887	66,453	95,340
Rights issue of shares	144,434,000	14,443		
At the date of report	433,302,000	43,330		

25. SHARE OPTION SCHEMES

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option schemes 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.

On 11 September 1998, the Company approved a share option scheme (the "Old Scheme") under which the directors of the Company may, at their discretion, invite any employees, including executive directors, of the Group to take up share options to subscribe for shares of the Company at any time during the 10 years from the date of approval. The Old Scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") in October 1998.

The maximum number of shares in respect of which options may be granted (together with options exercised and options outstanding) under the Old Scheme may not exceed 10% of the issued share capital of the Company, excluding any shares issued pursuant to the Old Scheme from time to time. The maximum entitlement of each eligible person under the Old Scheme must not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Old Scheme.

The offer of a grant of share options under the Old Scheme may be accepted within 28 days from the date on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer of the grant is $10. The subscription price for shares under the Old Scheme will be no less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the option, or the nominal value of the shares, whichever is the higher.

In compliance with the amended Chapter 17 of the Listing Rules, the Old Scheme was terminated on 30 August 2002 and a new share option scheme (the "New Scheme") was adopted pursuant to an ordinary resolution passed at a special general meeting of the Company on 30 August 2002. As a result, the Company will no longer grant any further share options under the Old Scheme.

Under the New Scheme, eligible participants include any director or proposed director, including independent non-executive director, employee or proposed employee, secondee, any holder of securities issued by any member of the Group, any business or joint venture partner, contractor, agent or representative, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to the Group, any supplier, producer or licensor of goods or services to the Group, any customer, licensee or distributor of goods or services of the Group, or any landlord or tenant of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The New Scheme became effective on 30 August 2002 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date.

25. SHARE OPTION SCHEMES *(Continued)*

Pursuant to the New Scheme, the maximum number of share options may be granted under the New Scheme and any other share option schemes of the Company is an amount equivalent, upon their exercise, not in aggregate exceed 30% of the issued share capital of the Company from time to time, excluding any shares issued on the exercise of share options. At 31 March 2003, the number of share issuable under the share options granted under the New Scheme was 28,886,800 which represented 10% of the Company's shares in issue at that date. The maximum number of shares issuable under share options to each eligible participant under the New Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of such limit is subject to shareholders' approval in a general meeting.

Pursuant to the New Scheme, share options granted to a director, chief executive or substantial shareholder of the Company, or any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any grant of share options to a substantial shareholder or an independent non-executive director, or any of their associates, will result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the New Scheme and any other share option schemes of the Company, including options exercised, cancelled and outstanding, in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue, and having an aggregate value, based on the closing price of the Company shares at each date of grant, in excess of $5 million, such further grant of share options is required to be approved by shareholders in a general meeting in accordance with the Listing Rules.

The offer of a grant of share options under the New Scheme may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of $1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the New Scheme, if earlier.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Amount expressed in Hong Kong dollars unless otherwise stated)

25. SHARE OPTION SCHEMES *(Continued)*

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

Name or category of participant	At 1 April 2002	Granted during the year	At 31 March 2003	Date of grant of share options	Exercise period of share options	Exercise price of share options*	Price of Company's shares at grant date of options**
Non-director	–	28,886,800	28,886,800	15 October 2002	1 February 2003 to 31 January 2008	$0.67	$0.67

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

Name or category of participant	At 1 April 2002	Exercised during the year	Cancelled during the year	At 31 March 2003	Date of grant of share options	Exercise period of share options	Exercise price of share options*	Price of Company's shares at exercise date of options**
Non-director	23,880,000	2,388,000	21,492,000	–	4 February 2002	7 May 2002 to 31 December 2007	$0.32	$0.587

* *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 Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.*

The 2,388,000 share options exercised during the year resulted in the issue of 2,388,000 ordinary shares of the Company and additional share capital of $238,800 and share premium of $525,360 (before issue expenses), as detailed in note 24 to the financial statements.

At the balance sheet date, the Company had 28,886,800 share options outstanding under the New Scheme. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 28,886,800 additional ordinary shares of the Company and additional share capital of $2,888,680 and share premium of $16,465,476 (before issue expenses).

26. 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 23 of the financial statements.

The capital reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through a reorganisation in relation to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in October 1998.

(b) Company

	Share premium account $'000	Contributed surplus $'000	Retained profits/ (accumulated losses) $'000	Total $'000
At 1 April 2001	65,928	122,864	1,502	190,294
Net profit for the year	–	–	34,829	34,829
At 31 March 2002 and at 1 April 2002	65,928	122,864	36,331	225,123
Exercise of share options	525	–	–	525
Net loss for the year	–	–	(117,208)	(117,208)
At 31 March 2003	**66,453**	**122,864**	**(80,877)**	**108,440**

The contributed surplus of the Company represents the difference between the aggregate net asset value of subsidiaries acquired as a result of the reorganisation prepared of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited and the nominal amount of the Company's shares issued for the acquisition. Under Section 54 of the Companies Act 1981 of Bermuda, contributed surplus is available for distribution as dividends to shareholders subject to the provisions of the Company's bye-laws and provided that immediately following the distribution, the Company is able to pay its liabilities as they fall due or the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium account.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Changes to the layout of the consolidated cash flow statement

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the 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 taxes are now included in cash flows from operating activities, interest and dividend received is now included in cash flows from investing activities, and interest paid and dividend paid are now included in cash flows from financing activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

(b) Acquisition of a subsidiary

	2003	2002
	$'000	*$'000*
Net assets acquired:		
Fixed assets	–	1,281
Inventories	–	2,824
Prepayments, deposits and other receivables	–	189
Due to a shareholder	–	(3,794)
	–	500
Cash consideration and net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	–	500

28. LITIGATION

On 8 March 2001, Kistefos Investment A.S. ("Kistefos"), a shareholder of the Company which owned approximately 21.6% (2002: 21.78%) of the issued share capital of the Company at the balance sheet date, filed a petition (the "Petition") against the Company and a former director of the Company, in the Supreme Court of Bermuda (the "Court") under Section 111 (1) of the Companies Act 1981 of Bermuda. The Petition was based on an alleged claim that certain affairs of the Company had been conducted in a manner that was oppressive or unfairly prejudicial to the interests of certain shareholders of the Company, including Kistefos itself. Pursuant to the Petition, Kistefos sought an order from the Court to either (i) force the Company or the former director to purchase all the shares of the Company held by Kistefos, at a fair value to be determined by the Court; or (ii) wind up the Company by the Court.

After taking legal advice from its legal advisors in Bermuda, the Company made a strike out application in relation to the Petition, the Court hearing of which was completed in September 2001. In October 2001, the Court struck out the claim of Kistefos to wind up the Company, and the remaining relief claimed by Kistefos in the Petition remains to be dealt with by the Court in subsequent hearings. In December 2001, the Company appealed to the Court of Appeal of Bermuda to strike out the entire Petition. In February 2002, Kistefos filed a notice of intention to the Court of Appeal of Bermuda to appeal against the decision made by the Court to strike out the claim to wind up the Company. The hearing of the appeal was conducted in June 2002 and the Court of Appeal of Bermuda dismissed both the appeal of the Company and the cross-appeal of Kistefos. As a result, the claim by Kistefos to wind up the Company remains struck out, while the remaining relief claim will be dealt with by the Court in subsequent trials. After considering advice from its legal advisors, the directors of the Company consider that the Company has a strong case to the remaining relief claim in the Petition. Accordingly, the Company has not provided for any claim arising from the Petition, other than the related legal costs.

In connection with the Petition, a provision for legal and professional fees amounting to approximately $18,079,000 was charged to the consolidated profit and loss account during the year ended 31 March 2002.

29. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases its staff quarters and office under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 5 years.

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

	Group	
	2003	2002
	$'000	*$'000*
Within one year	3,098	1,250
In the second to fifth years, inclusive	4,729	1,596
	7,827	2,846

The Company did not have any significant operating lease arrangements as at 31 March 2003 (2002: Nil).

30. RELATED PARTY TRANSACTIONS

In addition to the transaction detailed in note 15 to the financial statements, the Group did not have any material related party transactions during the year.

31. POST BALANCE SHEET EVENTS

In addition to the events described in notes 1, 10 and 24 to the financial statements, subsequent to the balance sheet date on 9 April 2003, the Group acquired approximately 20.17% of the issued share capital of Starbow Holdings Limited ("Starbow"), a company listed on The Stock Exchange of Hong Kong, for a cash consideration of approximately $17.2 million and is accounted for an other investment. Starbow and its subsidiaries are principally engaged in the distribution and retailing of computers and computer-related products and the provision of sub-contracting services.

32. COMPARATIVE AMOUNTS

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

32. COMPARATIVE AMOUNTS *(Continued)*

In addition, certain other comparative amounts have been reclassified. A summary of significant reclassifications of such comparative amounts is as follows:

(a) Interest income of $8,888,000 and a write-back of accrued expenses of $2,113,000, which were disclosed as "Turnover" and "Other revenue" in the consolidated profit and loss account for the year ended 31 March 2002 have been reclassified as "Other revenue" and "Administrative expenses", respectively;

(b) Cost of investments of $10,494,000 (with impairment loss of the same amount), which was disclosed as "Loans receivable" and "Advances for investments" in the consolidated balance sheet as at 31 March 2002, has been reclassified as "Other investments";

(c) Interest receivable of $1,386,000, which was disclosed as "Trade receivables" in the consolidated balance sheet as at 31 March 2002, has been reclassified as "Prepayments, deposits and other receivables";

(d) Prepaid tax of $1,151,000, which was disclosed as "Prepayments, deposits and other receivables" in the consolidated balance sheet as at 31 March 2002, has been reclassified as "Tax recoverable"; and

(e) Customer deposits received of $2,595,000, which were disclosed as "Trade payables" in the consolidated balance sheet as at 31 March 2002, have been reclassified as "Other payables and accrued liabilities".

As a result of the above reclassifications, the 2002 comparative segment information have also been changed to conform with the current year's presentation.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 July 2003.