1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities and other particulars of its subsidiaries are set out in Note 19 to the financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group. As at 31 March 2003, the Group recorded consolidated accumulated losses of approximately HK$412,739,000 and a loss attributable to shareholders of approximately HK$121,923,000 for the year then ended. To improve the Group's liquidity position, during the year ended 31 March 2003, the Group completed the Capital Reorganisation and the Open Offer, details of which are disclosed in Note 27 to the financial statements. The directors have formulated plans to expand the trade of the Group and enter new product markets which, the directors expect, will improve the liquidity position of the Group. Subsequent to the balance sheet date, in June 2003, the Company announced the proposed acquisition of a company which may provide an opportunity for the Group to diversify into the garment manufacturing industry in the People's Republic of China ("PRC"). On the basis that the directors' plan to expand the trade of the Group and enter new product markets will materialise, the directors consider that the Group will have sufficient working capital for the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis. However, if these measures were not to be successful or insufficient, or if the going concern basis were not to be appropriate, adjustments would have to be made to the financial statements to restate the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In the current year, the Group adopted the following SSAPs which are effective for accounting periods commencing on or after 1 January 2002.

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

3. ACCOUNTING POLICIES (continued)

The new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. The adoption of these new and revised SSAPs has not resulted in any major changes to the Group's accounting policies that affect the amounts reported for the current or prior periods.

A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

(a) Basis of measurement

The measurement basis used in the preparation of the financial statements is historical cost as modified by the marking-to-market of certain investments in securities as explained in Note 3(d).

(b) Basis of consolidation

A subsidiary is a company which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Group has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses. An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

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

(c) Intangible assets

i. Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair values of the identifiable assets and liabilities of subsidiaries acquired. The Group previously eliminated goodwill arising from different acquisitions on consolidation either by immediate elimination to reserves or by amortisation through the consolidated income statement. Goodwill arising on acquisition after 1 January 2001 is capitalised as an asset which is presented separately in the consolidated balance sheet and amortised by equal annual instalments over its estimated useful economic life up to a maximum of twenty years.

Upon the disposal of an interest in a subsidiary, the attributable amount of unamortised goodwill is realised and taken into account in arriving at the gain or loss on disposal.

ii. Patent

Patent is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over an estimated useful life of five years.

3. ACCOUNTING POLICIES (continued)

(d) Other investments

Other investments are securities that are neither held-to-maturity debt securities nor investment securities and are stated at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the income statement.

Profits or losses on sale of investments in securities are determined as the difference between the estimated sales proceeds and the carrying value of the investments and are accounted for in the income statement as they arise.

(e) Tangible fixed assets and depreciation

An item of tangible fixed asset is recognised as an asset when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset to the Group can be measured reliably.

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Subsequent expenditure relating to a tangible fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation is provided on the reducing balance method so as to write down the cost of tangible fixed assets to their estimated realisable value over their anticipated useful lives at the following annual rates:

Land	:	Over the term of the lease
Buildings	:	5%
Plant, machinery, equipment and moulds	:	10% to 20%
Furniture and fixtures	:	10%
Motor vehicles	:	10%
Leasehold improvements	:	20%

Gains or losses arising from the retirement or disposal of tangible fixed assets are determined as the difference between the estimated net disposal proceeds and the carrying amounts of the assets and are recognised in the income statement on the date of retirement or disposal.

3. ACCOUNTING POLICIES (continued)

(f) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised to reduce the asset to its recoverable amount. 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 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. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. A reversal of an impairment loss is recognised as income immediately.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all cost of purchases and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the standard costing method. Standard costs are established by reference to actual costs incurred during each period. Net realisable value represents the estimated selling price less direct selling costs.

(h) Foreign currencies

Transactions in foreign currencies during the year are translated into Hong Kong dollars at rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Hong Kong dollars at rates of exchange ruling at the balance sheet date. All gains and losses on translation of foreign currencies are dealt with in the income statement.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statements are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior years, the income statements of foreign enterprises were translated at closing rate. This is a change in accounting policy, however, the translation of the income statements of foreign enterprises in prior years has not been restated as the effect of this change is not material to the current and prior years.

(i) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed.

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future. Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

3. ACCOUNTING POLICIES (continued)

(j) Recognition of revenue

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

i. Revenue from the sale of products is recognised on the transfer of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

ii. Rental income is recognised proportionally over the lease period.

iii. Revenue associated with the rendering of sub-contracting services is recognised so as to reflect the stage of work performed at the balance sheet date. When the outcome of the service contract cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

iv. Interest income is recognised on a time-apportioned basis on the principal outstanding and at the rates applicable.

v. Dividend income is recognised when the shareholders' right to receive payment is established.

(k) Leased assets

Assets held under finance leases and hire-purchase contracts have been capitalised. The interest element of the rental payments is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Depreciation is provided in accordance with the Group's depreciation policy (Note 3(e)). All other leases are accounted for as operating leases and the rental payments are charged to the income statement on a straight-line basis over the periods of the leases.

(l) Employee benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which employees of the Group render the associated services. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group participates in the mandatory provident fund for its employees in Hong Kong. Contributions to the fund by the Group and the employees are calculated as a percentage of the employees' basic salaries. The retirement benefit cost charged to the income statement represents contributions payable by the Group to the fund. The Group's contributions to the fund are expensed as incurred and the Group's voluntary contributions are reduced by contributions forfeited by those employees who leave the fund prior to vesting fully in the contributions. The assets of the fund are held separately from those of the Group in an independently administered fund.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

3. ACCOUNTING POLICIES (continued)

(m) Related party transactions

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. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(n) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date 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.

(p) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only 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 financial statements. When a change in the probability of an outflow occurs so that outflow is probable, a provision is recognised.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(q) Research and development

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the products are technically feasible, and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

3. ACCOUNTING POLICIES (continued)

(r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segments), or in providing products or services within a particular economic environment (geographical segments), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, corporate and financing expenses and minority interests.

4. TURNOVER AND REVENUES

	2003	2002
	HK$'000	HK$'000
Turnover		
Sale of electronic products and components	**1,270**	505
Sale of computers and related accessories	**19,298**	23,462
Sale of software games and related copyrights	**548**	2,801
Sub-contracting income	**2,294**	1,852
	23,410	28,620
Other revenues		
Gross rental income from plant and equipment	**36**	6
Interest income	**1**	572
Sundry income	**705**	369
	742	947
Total revenues	**24,152**	29,567

5. OTHER INCOME

	2003 HK$'000	2002 HK$'000
Gain on disposal of subsidiaries	–	95

6. LOSS FROM OPERATIONS

	2003 HK$'000	2002 HK$'000
Total staff costs:		
– salaries and commissions	6,885	11,057
– provident fund contributions	347	371
Depreciation:		
– owned assets	4,944	7,491
– leased assets	140	135
Loss on disposal of tangible fixed assets	2,408	282
Operating lease charges in respect of land and buildings	1,948	1,589
Auditors' remuneration	398	420
Research and development expenditure	993	3,000

7. PROVISIONS FOR WRITE-DOWNS AND IMPAIRMENTS

	2003 HK$'000	2002 HK$'000
Impairment loss on intangible assets (Note 17)	23,022	914
Impairment loss on tangible fixed assets (Note 18)	42,216	6,687
Provision in respect of deposit paid for acquisition of investment (Note 21)	15,000	5,000
Provision in respect of deposit paid for acquisition of tangible fixed assets (Note 21)	6,472	–
Provision for doubtful debts	5,069	–
	91,779	12,601

8. LOSS ON DE-CONSOLIDATION OF A SUBSIDIARY IN LIQUIDATION

On 19 February 2003, an employee of Info-Mission Technology Inc. Limited ("Info-Mission"), a subsidiary of the Company, filed a petition to the High Court of Hong Kong to wind up Info-Mission on grounds that Info-Mission was insolvent and unable to pay its debts. Consequently, the subsidiary operated under severe long-term restrictions which significantly impaired its ability to transfer funds to the Group and was excluded from consolidation upon such restrictions came into effect, being the date on which the winding up petition was presented to the court. The directors considered that the estimated recoverable amount of the Group's investment in Info-Mission upon de-consolidation was nil.

	HK$'000
Net effect on de-consolidation of the subsidiary:	
Deposits, prepayments and other receivables	1,083
Cash and bank balances	1
Sundry creditors and accruals	(10,042)
Net identifiable assets and liabilities	(8,958)
Amount due from the subsidiary to the Group written off	8,676
Unamortised goodwill de-recognised (Note 17)	14,400
Net loss on de-consolidation	14,118

The subsidiary de-consolidated during the year contributed approximately HK$117,000 and HK$2,166,000 to the Group's turnover and loss from ordinary activities before taxation respectively for the year. Net cash outflow arising from de-consolidation represents cash and bank balances de-consolidated amounting to approximately HK$1,000.

9. FINANCE COSTS

	2003	2002
	HK$'000	HK$'000
Hire-purchase interest	**68**	3
Interest on other loans	**217**	205
	285	208

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2003	2002
	HK$'000	HK$'000
Independent non-executive directors		
Fees	**–**	120
Other emoluments	**–**	–
Executive directors		
Fees	**–**	–
Salaries, allowances and benefits in kind	**420**	3,317
Mandatory provident fund contributions	**13**	46
	433	3,483

In addition to the above emoluments, certain directors were granted share options under the Company's share option scheme. The details of these benefits in kind are disclosed under the section headed "Directors' interests in shares and rights to acquire shares" in the Report of the Directors. In the absence of a ready market for the share options granted on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the share options granted to the respective directors.

The remuneration of the directors falls within the following bands:

	Number of directors	
	2003	2002
HK$Nil – HK$1,000,000	**11**	6
HK$1,000,001 – HK$1,500,000	**–**	2
	11	8

There were no arrangements under which the directors have waived or agreed to waive any remuneration. No emoluments were paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The aggregate emoluments for the year ended 31 March 2003 of the five highest paid individuals (including directors of the Company and other employees of the Group) employed by the Group are set out below:

	2003	2002
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,517**	3,617
Mandatory provident fund contributions	**53**	58
	1,570	3,675

The emoluments of the five highest paid individuals fall within the following bands:

	Number of employees	
	2003	2002
HK$Nil – HK$1,000,000	**5**	3
HK$1,000,001 – HK$1,500,000	**–**	2
	5	5

No emoluments were paid by the Group to the respective five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

12. RETIREMENT BENEFITS SCHEME

Certain subsidiaries of the Group in Hong Kong participate in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for all the employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. During the year under review, the total amount contributed by the Group to the scheme and charged to the consolidated income statement amounted to approximately HK$347,000 (2002: HK$371,000). As at 31 March 2003, there were no forfeited contributions available for the Group to offset contributions payable in future years (2002: Nil).

13. TAXATION

No provision for Hong Kong profits tax has been made in the financial statements as the Company and its subsidiaries operating in Hong Kong did not have any assessable profits for the year (2002: Nil). No provision for taxes in other jurisdictions for the year has been made in the financial statements as neither the Company nor any of its subsidiaries had any assessable profits subject to tax in other jurisdictions.

No provision for deferred taxation has been made as the Group and the Company have no material potential liabilities arising on timing differences (2002: Nil). A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

14. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders includes a loss of HK$274,186,000 (2002: a loss of HK$12,454,000) which has been dealt with in the financial statements of the Company.

15. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of approximately HK$121,923,000 (2002: HK$67,821,000) and on the weighted average of 1,391,023,030 shares (2002: 348,210,522 shares as retrospectively adjusted for the effects of the Share Consolidation, further details of which are set out in Note 27 to the financial statements) deemed to be in issue during the year.

No diluted loss per share is presented for the years ended 31 March 2003 and 2002 as the exercise of share options and warrants of the Company are anti-dilutive.

16. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

The Group comprises the following main business segments:

1. Sub-contracting services – The rendering of sub-contracting services

2. Audio and visual products and components – The manufacture and sale of audio and visual products and components

3. Computers, software games, related accessories and copyrights – The manufacture and sale of computers, software games and related accessories and copyrights

16. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

For the year ended 31 March 2003

	Sub-contracting services HK$'000	Audio and visual products and components HK$'000	Computers, software games, related accessories and copyrights HK$'000	Unallocated HK$'000	Consolidated HK$'000
Revenue from external customers	2,294	1,270	19,846	–	23,410
Other revenue from external customers	–	–	–	742	742
Total revenues	2,294	1,270	19,846	742	24,152
Segment results	(20,323)	(24,138)	(3,506)	–	(47,967)
Unallocated corporate expenses					(73,657)
Loss from operations					(121,624)
Finance costs					(285)
Loss from ordinary activities before taxation					(121,909)
Taxation					–
Loss from ordinary activates after taxation					(121,909)
Minority interests					(14)
Net loss for the year					(121,923)

No inter-segment sales and transfers were transacted during the year.

16. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

For the year ended 31 March 2003 (continued)

	Sub-contracting services HK$'000	Audio and visual products and components HK$'000	Computers, software games, related accessories and copyrights HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	9	2,051	2,041	4,101
Unallocated corporate assets				30,544
Total assets				34,645
LIABILITIES				
Segment liabilities	2,227	6,280	2,312	10,819
Unallocated corporate liabilities				9,096
Total liabilities				19,915

Other information

	Sub-contracting services HK$'000	Audio and visual products and components HK$'000	Computers, software games, related accessories and copyrights HK$'000
Capital additions	150	386	85
Depreciation	1,255	319	49
Impairment loss for the year	9,579	867	–
Loss on de-consolidation of a subsidiary in liquidation	–	–	14,118
Other non-cash expenses	8,486	4,314	744

16. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

For the year ended 31 March 2002

	Sub-contracting services HK$'000	Audio and visual products and components HK$'000	Computers, software games, related accessories and copyrights HK$'000	Unallocated HK$'000	Consolidated HK$'000
Revenue from external customers	1,852	505	26,263	–	28,620
Other revenue from external customers	–	–	–	947	947
Total revenue	1,852	505	26,263	947	29,567
Segment results	(12,388)	(9,586)	(5,993)	–	(27,967)
Unallocated corporate expenses					(40,094)
Loss from operations					(68,061)
Finance costs					(208)
Loss from ordinary activities before taxation					(68,269)
Taxation					–
Loss before minority interests					(68,269)
Minority interests					448
Net loss for the year					(67,821)

No inter-segment sales and transfers were transacted during the year.

16. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

For the year ended 31 March 2002 (continued)

	Sub-contracting services HK$'000	Audio and visual products and components HK$'000	Computers, software games, related accessories and copyrights HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	17,250	6,633	4,196	28,079
Unallocated corporate assets				109,621
Total assets				137,700
LIABILITIES				
Segment liabilities	5,099	7,254	6,200	18,553
Unallocated corporate liabilities				23,929
Total liabilities				42,482

Other information

	Sub-contracting services HK$'000	Audio and visual products and components HK$'000	Computers, software games, related accessories and copyrights HK$'000
Capital additions	1,033	231	841
Depreciation	1,833	262	223
Other non-cash expenses	176	3,000	–

(b) Geographical segments

More than 90% of the Group's turnover is derived from the region of Hong Kong and PRC, and more than 90% of the segment assets are located in this region. Accordingly, no other analysis has been disclosed.

17. INTANGIBLE ASSETS

Group:	Goodwill HK$'000	Patent HK$'000	Total HK$'000
At cost:			
As at 1 April 2002	70,075	383	70,458
De-recognised on de-consolidation of a subsidiary in liquidation	(29,477)	–	(29,477)
As at 31 March 2003	40,598	383	40,981
Accumulated amortisation and impairment losses:			
As at 1 April 2002	19,621	383	20,004
Charge for the year	13,032	–	13,032
De-recognised on de-consolidation of a subsidiary in liquidation	(15,077)	–	(15,077)
Impairment loss recognised	23,022	–	23,022
As at 31 March 2003	40,598	383	40,981
Net book value:			
As at 31 March 2003	–	–	–
As at 31 March 2002	50,454	–	50,454

As at 31 March 2003, the directors performed an assessment of the fair value of the Group's goodwill. The assessment was based on value in use of the assets based on the present value of estimated future cash flows. As a result of this assessment, an impairment loss of approximately HK$23,022,000 has been recognised for the year ended 31 March 2003.

During the year ended 31 March 2003, Info-Mission, a subsidiary of the Company, was put into compulsory liquidation. Accordingly, the goodwill arising from the acquisition of the equity interest of this subsidiary has been de-recognised, resulting in a charge to the consolidated income statement of HK$14,400,000 which has been included in the computation of the loss on de-consolidation of a subsidiary in liquidation (Note 8).

18. TANGIBLE FIXED ASSETS

Group:	Land and buildings HK$'000	Plant, machinery, equipment and moulds HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
At cost:						
As at 1 April 2002	9,250	105,028	15,551	2,553	3,277	135,659
Additions	–	151	86	385	–	622
Disposals	–	(13,636)	(7,478)	(408)	–	(21,522)
As at 31 March 2003	9,250	91,543	8,159	2,530	3,277	114,759
Accumulated depreciation and impairment losses:						
As at 1 April 2002	694	67,361	12,664	676	246	81,641
Charge for the year	463	3,685	131	199	606	5,084
On disposal written back	–	(10,704)	(6,530)	(153)	–	(17,387)
Impairment loss recognised	8,093	29,777	1,389	532	2,425	42,216
As at 31 March 2003	9,250	90,119	7,654	1,254	3,277	111,554
Net book value:						
As at 31 March 2003	**–**	**1,424**	**505**	**1,276**	**–**	**3,205**
As at 31 March 2002	8,556	37,667	2,887	1,877	3,031	54,018

The net book value of tangible fixed assets of the Group includes an amount of approximately HK$393,000 (2002: HK$1,211,000) in respect of assets held under hire-purchase contracts.

All of the Group's land and buildings were situated in the PRC, the cost of which was held under long lease and medium-term leases as to the amounts of approximately HK$899,000 and HK$8,351,000 respectively.

As at 31 March 2003, the directors performed an assessment of the fair value of the Group's tangible fixed assets. The assessment was based on value in use of the assets as determined at the cash-generating unit (the individual business operations) based on the present value of estimated future cash flows. As a result of this assessment, the directors considered that there was an impairment in the value of certain tangible fixed assets including a number of specialised machineries and production lines dedicated to the manufacture of HI-CL products, audio-visual products and subcontracting operations due to the unused excess production capacity of the Group's operations. These tangible fixed assets were written down to their recoverable amounts which, in the opinion of the directors, approximated their net selling prices, taking into account the specialised nature of these assets. Accordingly, an impairment loss of approximately HK$42,216,000 has been recognised for the year ended 31 March 2003.

18. TANGIBLE FIXED ASSETS (continued)

Company:	Plant, machinery, equipment and moulds HK$'000
At cost:	
As at 1 April 2002 and at 31 March 2003	27,374
Accumulated depreciation and impairment losses:	
As at 1 April 2002	20,374
Charge for the year	1,400
Impairment loss recognised	5,350
As at 31 March 2003	27,124
Net book value:	
As at 31 March 2003	**250**
As at 31 March 2002	7,000

The impairment loss of HK$5,350,000 recognised during the year (2002: HK$6,542,000) in respect of certain plant, machinery, equipment and moulds represented write-down in values to their recoverable amounts due to the unused excess production capacity of the Company's sub-contracting operations which, in the opinion of the directors, approximated their net selling prices.

19. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK$'000	2002 HK$'000
Unlisted shares at cost, net of provision	**–**	26,477

For the year ended 31 March 2003, provisions amounting to approximately HK$26,477,000 have been made against the Company's investment costs in certain of its subsidiaries which had net assets deficiencies as at 31 March 2003.

The amounts due from the subsidiaries as shown on the Company's balance sheet are unsecured, interest-free and have no fixed terms of repayment. For the year ended 31 March 2003, provisions amounting to approximately HK$249,109,000 have been made against the amounts due from certain of the Company's subsidiaries which had net assets deficiencies as at 31 March 2003.

19. INTERESTS IN SUBSIDIARIES (continued)

The following list contains only the particulars of subsidiaries which principally affected the results 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.

Name of company	Place of incorporation/ registration	Issued share capital/ registered capital Note (b)	Principal activities and place of operations	Percentage of equity held by the Company Directly	Indirectly
Recor International Limited	British Virgin Islands	Ordinary shares HK$360,000	Investment holding in Hong Kong	100%	–
RCR Electronics (Holdings) Limited	Hong Kong	Ordinary shares HK$10 Deferred shares HK$36,000,000 Note (a)	Investment holding in Hong Kong	–	100%
Recor Enterprises China Limited Note (c)	Hong Kong	Ordinary shares HK$3,800,000	Design, development and sale of consumer electronic products in Hong Kong	–	100%
Recor (RCR) Limited	British Virgin Islands	Ordinary shares US$5,000	Provision of sub-contracting services in the PRC	–	100%
Merway Limited	Hong Kong	Ordinary shares HK$2	Provision of sub-contracting services in Hong Kong	–	100%
Lobelia International Limited	British Virgin Islands	Ordinary share US$1	Investment holding in Hong Kong	–	100%
Great Importance Limited	British Virgin Islands	Ordinary share US$1	Investment holding in Hong Kong	–	100%
Cyber 397 Limited	Hong Kong	Ordinary shares HK$2	Investment holding and trading of electronic products in Hong Kong	–	100%

19. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration	Issued share capital/ registered capital Note (b)	Principal activities and place of operations	Percentage of equity held by the Company	
				Directly	Indirectly
Quality First Developments Limited	British Virgin Islands	Ordinary share US$1	Investment holding in Hong Kong	–	100%
Profit Promise Enterprises Limited	British Virgin Islands	Ordinary share US$1	Investment holding in Hong Kong	–	100%
Ecopro Hi-Tech Limited	British Virgin Islands	Ordinary share US$1	Investment holding and trading of computer games in Hong Kong	–	100%
Ecopro Hi-Tech Product Company Limited	PRC Note (d)	Registered capital HK$23,800,000	Manufacture of HI-CL products in the PRC	–	100%
Lobelia Holdings (Canada) Limited	Canada	Ordinary share CAD1	Investment holding in Canada	–	100%
Advance Hitech (Canada) Corporation	Canada	Ordinary shares CAD200	Investment holding in Canada	–	100%
Asian Eagle Co., Ltd.	British Virgin Islands	Ordinary share US$1	Investment holding in Hong Kong	–	100%
PC-Web (H.K.) Limited	Hong Kong	Ordinary shares HK$10,000	Trading of computers and related accessories in Hong Kong	–	100%
PC-Web Technology Limited	Hong Kong	Ordinary shares HK$100,000	Trading of computers and related accessories and provision of system development and maintenance services in Hong Kong	–	70%

19. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration	Issued share capital/ registered capital Note (b)	Principal activities and place of operations	Percentage of equity held by the Company Directly	Indirectly
Bits Tech Inc.	British Virgin Islands	Ordinary shares US$50,000	Development, manufacture and distribution of radio-frequency wireless video and computer game controllers and accessories in Hong Kong	–	80%
Nicefit Limited Note (e)	British Virgin Islands	Ordinary share US$1	Securities trading in Hong Kong	100%	–
Info-Mission Note (f)	Hong Kong	Ordinary shares HK$757,409	Production, publication and distribution of computer games in Hong Kong	–	50.3%

Notes:

(a) The deferred shares carry no rights to dividends (other than a fixed non-cumulative dividend at the rate of one per cent per annum for any financial year during which the net profit of RCR Electronics (Holdings) Limited available for dividends exceeds HK$100,000,000,000,000,000), no rights to attend or vote at general meetings and no rights to receive any surplus in a return of capital in a winding-up (other than the amount paid up on those shares, provided that the holders of the ordinary shares of RCR Electronics (Holdings) Limited have received by way of a distribution in such a winding-up a sum of HK$100,000,000,000,000,000 in respect of each ordinary share).

(b) None of the subsidiaries had any loan capital in issue at any time during the years ended 31 March 2003 and 2002.

(c) On 6 August 2001, Recor Enterprises China Limited changed its name to Ecopro Enterprises China Limited, and subsequently on 10 April 2002 changed its name back to Recor Enterprises China Limited.

(d) Ecopro Hi-Tech Product Company Limited was established on 15 March 2000 as a wholly foreign owned enterprise in the PRC with an operational term of 30 years.

(e) Nicefit Limited was incorporated by the Company during the year.

(f) Further details relating to the liquidation of Info-Mission are disclosed in Note 8 to the financial statements.

20. INVENTORIES

	Group	
	2003	2002
	HK$'000	HK$'000
Raw materials	**–**	2,058
Finished goods	**793**	525
	793	2,583

As at 31 March 2003, all of the Group's inventories were carried at cost. As at 31 March 2002, the carrying amount of inventories that were carried at net realisable value amounted to approximately HK$231,000.

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors (Note (i))	**170**	1,612	**–**	–
Other debtors, deposits and prepayments	**1,587**	3,382	**367**	522
Loan to a supplier (Note (ii))	**–**	2,775	**–**	–
Deposits paid for acquisition of investments (Note (iii))	**–**	15,000	**–**	–
Deposit paid for acquisition of tangible fixed assets (Note (iv))	**–**	6,472	**–**	–
	1,757	29,241	**367**	522

Notes:

(i) The ageing analysis of the Group's trade debtors is as follows:

	2003	2002
	HK$'000	HK$'000
0-60 days	**134**	741
61-90 days	**11**	45
>90 days	**25**	826
	170	1,612

Credit is offered to customers following financial assessment and based on established payment record. Credit limits are set for individual customers and these are exceeded only with the approval of senior officials of the Group. Senior staff of the Group monitor trade debts and follow up collections periodically. General credit terms are payment by the end of the month following the month in which sales took place.

21. TRADE AND OTHER RECEIVABLES (continued)

(ii) The balance as at 31 March 2002 represented a loan advanced from a wholly-owned subsidiary of the Company to an independent third party which was a supplier of the subsidiary. The advance was secured, carried interest at Hong Kong prime rate per annum and repayable on demand and by way of deducting future purchases by the subsidiary from this supplier. As the Group was uncertain about the recoverability of the loan, a full provision was made during the year ended 31 March 2003.

(iii) Deposits paid for acquisition of investments include the following:

(a) On 6 October 2000, a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement for the acquisition of the entire equity interest in a company which was principally engaged in trading of mobile phones and related accessories, for a consideration of HK$15,000,000. As at 31 March 2002, the Group had paid HK$15,000,000 representing the entire consideration for the acquisition. The acquisition had not been completed as at 31 March 2002 due to the non-fulfillment of certain conditions as stipulated in the agreement, which included, inter alia, the reduction of indebtedness in the target company to a level acceptable to the Group, and accordingly the balance had been shown as a deposit paid for acquisition of investment on the balance sheet as at 31 March 2002.

As the acquisition had not been completed as at 31 March 2003, a full provision for the deposit was made for the year ended 31 March 2003.

(b) Pursuant to a share transfer agreement entered into by a wholly-owned subsidiary of the Company and an independent third party in May 2000, the Group was committed to acquire a 39.4% equity interest in a company, which was principally engaged in property development in the PRC, at a consideration of HK$25,000,000. As at 31 March 2001, HK$5,000,000 had been paid by the Group. The transaction had not been completed as at 31 March 2001 as the conditions precedent as stipulated in the share transfer agreement had not been fulfilled. Consequently, the Group and the independent third party entered into a further agreement, pursuant to which interest was charged on the deposit paid until the completion of the transaction, which was conditional upon the satisfaction of certain conditions precedent in the share transfer agreement, and in the event that the parties could not complete the transaction, the deposit paid would be refundable to the Group on demand.

As the transaction had not yet been completed as at 31 March 2002 and the Group was uncertain about the recoverability of the deposit, a full provision was made during the year ended 31 March 2002.

(iv) Pursuant to a contract entered into between the Group and the Qingxi Municipal Government of the PRC in November 2000, the Group transferred a plot of land located in the PRC at a consideration of approximately HK$6,472,000 to the Qingxi Municipal Government and applied such consideration as a deposit for acquisition of factory land and buildings which are located in the PRC and owned by the Qingxi Municipal Government. As at 31 March 2003, the transfer of legal title to the land use right and property ownership has not yet been completed. The directors were unable to determine with reasonable certainty the time required for the transfer of legal titles and accordingly a full provision for the deposit was made for the year ended 31 March 2003.

22. OTHER INVESTMENTS

	Group 2003 HK$'000	2002 HK$'000
Equity securities listed in Hong Kong, at market value	**26,680**	–

As at 31 March 2003, the carrying amount of interests in the following companies exceeded 10% of the total assets of the Group:

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
Kanstar Environmental Technology Holdings Limited	Cayman Islands	Research and development of paper filling material and the manufacture and sale of pulp and paper	Ordinary shares	1.085%
AGL Media Tech Holdings Limited	Cayman Islands	Provision of on-line advertising solution, mobile advertising solution and Content management solution	Ordinary shares	4.167%

23. OBLIGATION UNDER A HIRE-PURCHASE CONTRACT

As at the balance sheet date, the Group had obligation under a hire-purchase contract repayable as follows:

	2003 HK$'000	2002 HK$'000
Within one year	**98**	275
In the second year	**98**	252
More than two years but within five years	**164**	–
Total minimum finance lease payables	**360**	527
Future finance charges on finance lease	**(45)**	(48)
Total present value of minimum lease payment	**315**	479
Present value of minimum finance lease liabilities		
– Within one year	**86**	250
– In the second year	**86**	229
– More than two years but within five years	**143**	–
	315	479

24. TRADE AND OTHER PAYABLES

Included in the trade and other payables of the Group are trade creditors, the aging analysis of which is set out below:

	2003 HK$'000	2002 HK$'000
0-60 days	**1,946**	2,565
61-90 days	**3**	109
>90 days	**263**	683
	2,212	3,357

25. UNSECURED LOAN

The unsecured loan bears interest at 10% per annum and is repayable on demand.

26. AMOUNTS DUE TO DIRECTORS

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

27. SHARE CAPITAL

Authorised: Ordinary shares of HK$0.01 each	Number of shares ('000)	Total value (HK$'000)
As at 1 April 2001 and 1 April 2002	30,000,000	300,000
Capital Reduction (Note (a)(i))	–	(285,000)
Share Consolidation (Note (a)(ii))	(28,500,000)	–
Capital Reorganisation (Note (a)(iii))	28,500,000	285,000
As at 31 March 2003	**30,000,000**	**300,000**

Issued and fully paid: Ordinary shares of HK$0.01 each	Number of shares ('000)	Total value (HK$'000)
As at 1 April 2001	6,263,937	62,639
New issue of shares for acquisition of a subsidiary (Note (b))	1,200,000	12,000
As at 31 March 2002 and 1 April 2002	7,463,937	74,639
Capital Reduction (Note (a)(i))	–	(70,907)
Share Consolidation (Note (a)(ii))	(7,090,740)	–
New issue of shares by way of private placement (Note (c))	74,600	746
New issue of shares by way of open offer (Note (d))	4,030,172	40,302
As at 31 March 2003	**4,477,969**	**44,780**

Changes in share capital

(a) Pursuant to the resolutions passed by the shareholders of the Company at a special general meeting held on 14 August 2002, it was resolved that:

(i) the nominal value of all the then issued shares of the Company was reduced from HK$0.01 each to HK$0.0005 each by cancelling HK$0.0095 paid up capital on each then issued share ("Capital Reduction"). The amount cancelled arising from the Capital Reduction was credited to the contributed surplus account of the Company and was applied to set off against part of the accumulated losses of the Company as permitted by the laws of Bermuda and the Bye-laws of the Company;

(ii) every 20 issued shares of HK$0.0005 each of the Company (after the Capital Reduction became effective) were consolidated into 1 consolidated share ("Share Consolidation"); and

(iii) immediately upon completion of the Capital Reduction and the Share Consolidation, the authorised share capital of the Company was restored back to HK$300,000,000 (collectively, "Capital Reorganisation").

27. SHARE CAPITAL (continued)

Changes in share capital (continued)

(b) Pursuant to a sale and purchase agreement dated 11 August 2001 entered into between Wise China Limited as Vendor, Ecopro Hi-Tech Limited, a wholly-owned subsidiary of the Company, as Purchaser and the Company in relation to the purchase of 80% of the issued share capital in Bits Tech Inc., the Company agreed to allot and issue 1,200,000,000 new shares of HK$0.01 each in the capital of the Company at a price of HK$0.014 per share to Wise China Limited credited as fully paid as part consideration thereof. The transaction was completed on 30 August 2001. These new shares rank pari passu in all respects with the then existing shares in issue.

(c) On 31 October 2002, the Company announced that it had entered into a subscription agreement with Great Sense Limited, an independent third party which was independent of and not connected with the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited). Pursuant to the subscription agreement, the Company issued and allotted 74,600,000 new shares of HK$0.01 each at a subscription price of HK$0.015 per subscription share. The subscription shares were issued under the general mandate granted to the directors of the Company at the annual general meeting held on 28 August 2002. The subscription price represented (i) a discount of approximately 40% to the closing price of HK$0.025 per share as quoted on The Stock Exchange of Hong Kong Limited on the last trading day immediately before the date of the announcement; and (ii) a discount of approximately 15% to the average closing price of approximately HK$0.0176 per share as quoted on The Stock Exchange of Hong Kong Limited for the last ten trading days immediately before the date of the announcement. The proceeds received by the Company amounted to approximately HK$1,119,000 and were used to repay the Group's outstanding liabilities and remuneration of employees of the Group. The excess of the consideration received over the nominal value of the shares issued in the amount of HK$373,000 was credited to the share premium account of the Company (Note 29).

(d) On 8 January 2003, the Company announced an open offer to the then qualifying shareholders of 4,030,171,677 offer shares of HK$0.01 each ("Open Offer"), on the basis of nine offer shares for every then existing ordinary share held at a subscription price of HK$0.01 per offer share. The Open Offer became unconditional on 24 January 2003. Up to 31 March 2003, the proceeds received by the Company of approximately HK$40.3 million were used as to approximately HK$2 million as expenses related to the Open Offer, as to approximately HK$20 million for the repayment of the Group's debts, as to approximately HK$15 million for investment in Hong Kong listed equity securities and as to approximately HK$2 million as general expenses for the operations of the Group and the remaining balance of approximately 1.3 million remained unused as working capital of the Group.

28. SHARE OPTION SCHEME

The following disclosures relating to the Company's share option scheme are now included in the notes to the financial statements as a result of the adoption of SSAP 34 in the current year. In the prior year, these disclosures were included in the Report of the Directors, as their disclosures are also required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Under the terms of the Company's share option scheme approved by the shareholders on 21 September 1993, the board of directors may, at its discretion, invite employees, including full-time directors of the Company and its subsidiaries upon a payment of HK$10 to take up options to subscribe for shares of the Company during a three-year period commencing on the expiry of six calendar months after the date upon which the relevant option is deemed to be granted and accepted. The exercise price (subject to adjustments as provided therein) is to be determined by the directors at their absolute discretion provided that in no event shall such price be less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the option.

The maximum number of shares in respect of which options may be granted under the share option scheme when aggregated with any securities subject to any other scheme may not exceed 10% of the shares which have been duly allotted and issued and that the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the share option scheme. The share option scheme will remain in force for a period of 10 years from the date of adoption of the scheme. The financial impact of options granted are not recognised until they are exercised. No share options were exercised and all of the Company's outstanding share options lapsed during the year.

Movements in the share options during the year are as follows:	**Number**
Options vested as at 1 April 2002	139,880,000
Lapsed in May 2002	(139,880,000)
Options vested as at 31 March 2003	–

The terms of the share options which were outstanding as at 1 April 2002 and lapsed in May 2002 are as follows:

Exercisable period	**Date granted**	**Exercise price**	**Number**
1 June 2000 to 24 November 2002	24 November 1999	HK$0.056	25,046,000
1 January 2001 to 9 June 2003	9 June 2000	HK$0.029	114,834,000
			139,880,000

29. RESERVES

Company and subsidiaries:	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2001	266,045	861	110,578	(293,902)	83,582
Issue of shares at a premium (Note 27(b))	4,800	–	–	–	4,800
Net loss for the year	–	–	–	(67,821)	(67,821)
As at 31 March 2002 and 1 April 2002	270,845	861	110,578	(361,723)	20,561
Adjustments arising from Capital Reduction (Note 27(a))	–	–	–	70,907	70,907
Issue of shares at a premium (Note 27(c))	373	–	–	–	373
Net loss for the year	–	–	–	(121,923)	(121,923)
As at 31 March 2003	**271,218**	**861**	**110,578**	**(412,739)**	**(30,082)**

Company:	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2001	266,045	861	241,054	(333,371)	174,589
Issue of shares at a premium (Note 27(b))	4,800	–	–	–	4,800
Net loss for the year	–	–	–	(12,454)	(12,454)
As at 31 March 2002 and 1 April 2002	270,845	861	241,054	(345,825)	166,935
Adjustments arising from Capital Reduction (Note 27(a))	–	–	–	70,907	70,907
Issue of shares at a premium (Note 27(c))	373	–	–	–	373
Net loss for the year	–	–	–	(274,186)	(274,186)
As at 31 March 2003	**271,218**	**861**	**241,054**	**(549,104)**	**(35,971)**

29. RESERVES (continued)

Contributed surplus

The contributed surplus of the Group represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued by the Company as consideration for the acquisition under the corporate reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 1993.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the corporate reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 1993.

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 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 be less than the aggregate of its liabilities and its issued share capital and share premium account.

Distributable reserves

As at 31 March 2003, the Company had no retained profits available for cash distribution and/ or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus in the amount of approximately HK$241,054,000 is currently not available for distribution.

30. RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES

	2003 HK$'000	2002 HK$'000
Loss from operations	**(121,624)**	(68,061)
Adjustments for:		
Interest income	**(1)**	(34)
Amortisation and depreciation	**18,116**	22,366
Impairment losses	**65,238**	7,601
Loss on disposal of tangible fixed assets	**2,408**	282
Loss on de-consolidation of a subsidiary in liquidation	**14,118**	–
Operating loss before changes in working capital	**(21,745)**	(37,846)
Changes in working capital:		
Trade and other receivables	**26,401**	10,954
Amount due from an associate	**–**	2,865
Inventories	**1,790**	(1,236)
Other investments	**(26,680)**	24,551
Amounts due to directors	**(2,824)**	(4,279)
Trade and other payables	**(18,213)**	5,279
Cash (used in)/ from operations	**(41,271)**	288
Interest income	**1**	34
Hire-purchase interest	**(217)**	(3)
Interest on other loan	**(68)**	(205)
Net cash (used in)/ generated from operating activities	**(41,555)**	114

31. ACQUISITION OF SUBSIDIARIES

The cash flows arising on acquisition of subsidiaries in the year ended 31 March 2002 were as follows:

	HK$'000
Net liabilities acquired:	
Intangible assets – patents	383
Tangible fixed assets	547
Trade other receivables	2,410
Cash and bank balances	20
Amounts due to directors	(6,375)
Trade and other payables	(694)
Minority shareholders' interests	(78)
Net liabilities acquired	(3,787)
Goodwill	22,393
	18,606
Satisfied by:	
Shares allotted	16,800
Cash paid	1,806
	18,606
Net cash outflow arising on acquisition of subsidiaries:	
Consideration paid in cash	(1,806)
Cash and bank balances acquired	20
	(1,786)

32. OPERATING LEASE COMMITMENTS

As at 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2003 HK$'000	2002 HK$'000
Within one year	**938**	1,451
In the second to fifth years	**609**	421
	1,547	1,872

As at 31 March 2003, the Company did not have any commitments under operating leases.

33. CAPITAL COMMITMENTS

As at 31 March 2003, the Group had the following commitments which were not provided for in the financial statements:

	2003	2002
	HK$'000	HK$'000
Authorised and contracted for in respect of acquisition of investment	**20,000**	20,000

As at 31 March 2003, the Company had no significant capital commitments.

34. LITIGATIONS

(a) During the year ended 31 March 2001, Merway Limited, a wholly-owned subsidiary of the Company, brought legal actions against a customer claiming a sum of approximately HK$1,050,000 in relation to sub-contracting charges due to Merway Limited by the customer pursuant to a sub-contracting agreement between the Company and the customer. The customer filed a defence and counterclaim against the Company for alleged breach of contract. As a result, claims for damages and loss of profits in aggregate of approximately HK$20,000,000 together with interests and costs have been brought against the Company. The case was settled by a consent order dated 19 July 2003 and the directors considered that no material provision for the claim was necessary as at 31 March 2003.

(b) The Company was also a defendant in a law suit brought by a supplier during the year ended 31 March 1998 claiming approximately HK$1,962,000 together with interest and costs relating to a guarantee in respect of a credit facility granted to RCR Electronics Manufacturing Limited, a former subsidiary of the Company. The Company filed a defence in March 1999 in response to the claim and since then, the supplier has taken no further action against the Company. Since the outcome of the litigation could not be determined with reasonable certainty at this stage, no provision has been made in the financial statements.

(c) The Company was a plaintiff in a legal action against Toolex (Hong Kong) Limited ("Toolex"), Manwide Development Limited ("Manwide"), Mr. Tsoi Kei Lung ("Mr. Tsoi") and Mr. Cheung Ying Nang ("Mr. Cheung") who was the chairman of the Company from 10 May 1999 and resigned on about 22 April 2000. The Company contended that Toolex, Manwide, Mr. Tsoi and Mr. Cheung (together, the "Defendants") all were conspiring together with the predominant purposes to injure the interests of the Company by inducing the Company to enter into the guarantee in favour of Toolex on behalf of Manwide shouldering 80% of the price under the agreement and/ or to pay for the sums under the settlement agreement. On 27 July 2000, the Company claimed against all Defendants the return of approximately HK$17.1 million already paid under the guarantee, damages, interests and costs as stated in the statement of claim. On 7 October 2000, Toolex counterclaimed the Company for approximately US$2.3 million (being approximately the remaining balance due under the guaranteed sum) or alternatively approximately HK$12.3 million or such further sum being cheques drawn by the Company in favour of Toolex but were dishonoured, damages, interests and costs as stated in the defense and counterclaim filed by Toolex. The legal actions between the Company and Toolex were settled by a consent order dated 22 July 2003. As the liability was recorded in the financial statements as at 31 March 2003, the directors considered that no material additional provision for the claim was necessary.

34. LITIGATIONS (continued)

(d) The Company and its indirect subsidiary, Recor Enterprises China Limited ("RECL"), are the first plaintiff and second plaintiff respectively in a claim against two former directors of RECL and of the Company who were the defendants. The Company together with RECL claimed against the defendants for damages in excess of HK$12 million plus interests, costs and other sums to be assessed. One of the defendants on 25 February 2002 filed a defence and counterclaim against the Company for approximately HK$0.7 million being his entitled salary and bonus, interests and costs. There has not been any development since the filing of the defence and counter-claim by the defendant.

(e) Twelve former employees of Info-Mission, an indirect subsidiary which the Company was beneficially interested in 50.3% of its interests through a wholly-owned subsidiary, succeeded in obtaining a judgement against Info-Mission, as the dependent on 25 September 2002 for outstanding salaries, accrued double pay, payment in lieu of notice, severance payment and mandatory provident fund contribution totalling approximately HK$0.53 million which related to the period from 1 May 2002 to no later than 12 August 2002. Info-Mission did not settle such payment and was put into compulsory liquidation by the former employees in February 2003, further details of which are disclosed in Note 8 to the financial statements.

(f) The Company was involved as a defendant, in legal actions brought by Mr. Tsoi Kei Lung and Madam Ng Kam Fung as plaintiffs claiming against the Company for the recovery of the balance of loans extended to the Company amounting to HK$1,700,000 and HK$800,000 respectively and accrued interests from 1 March 2000 and costs as stated on their respective statements of claim. Both actions have been, by consent summons, consolidated into the legal action as described in Note (c) above.

(g) During the year ended 31 March 2003, the Group was involved in various legal proceedings, claims and disputes in respect of certain former employees of the Group (other than Info-Mission). Such claims had been fully settled by the Group during the year.

(h) The Company was also a defendant in a law suit brought by a shareholder of the Company during the year ended 31 March 2003 claiming from the Company a sum of approximately HK$399,000 being his purported loss of 9.5 million old shares of his entire shareholding of 10 million old shares bought in May and June 2002 resulting from the Share Consolidation. After taking into consideration the advice of the Group's legal counsel, the directors consider the outcome of the proceedings will not have material adverse financial effect on the Group.

(i) Cyber 397 Limited, a wholly owned subsidiary of the Company, was a dependant in a legal action brought by a supplier during the year ended 31 March 2003 claiming unpaid balance amounting to approximately US$67,500 (equivalent to approximately HK$527,000) together with interest and costs in relation to purchase of electronics components. Cyber 397 Limited had been in negotiation with such supplier for the settlement of the claim while the Company was seeking legal opinion regarding the case. As the liability was recorded in the financial statements of the Group as at 31 March 2003, the directors consider that no material additional provision for the claim was necessary.

35. POST BALANCE SHEET EVENTS

On 26 June 2003, the Company entered into an agreement with independent third parties through Rollstone Limited, a wholly-owned subsidiary incorporated by the Company subsequent to the balance sheet date, pursuant to which Rollstone Limited conditionally agreed to acquire the entire equity interest in 上海凱祥服飾有限公司 at an aggregate consideration of HK$20,000,000. 上海凱祥服飾有限公司 is principally engaged in the manufacture and sale of knitted and woven garments in the PRC. The consideration is to be satisfied by an unsecured loan of HK$20,000,000 bearing an annual floating interest rate equivalent to 1% per annum over the prime rate. The unsecured loan is to be advanced by New Times Finance Limited, a wholly owned subsidiary of New Times Group Holdings Limited, which is a substantial shareholder of the Company as at the date of approval of these financial statements.