NOTES TO FINANCIAL STATEMENTS

31 March 2003

1. BASIS OF PRESENTATION AND FUNDAMENTAL UNCERTAINTIES RELATING TO GOING CONCERN

At 31 March 2003, the Group had net current liabilities of approximately HK$56,280,000. The Group also incurred a net loss from ordinary activities attributable to shareholders and reported a decrease in cash and cash equivalents for the year ended 31 March 2003 of approximately HK$263,410,000 and HK$33,107,000, respectively.

The Group has had difficulty in repaying bank loans and payables on time and has defaulted in making certain payments of certain of its bank borrowings. As at 31 March 2003, the Group had also received notices of various lawsuits against the Group from a number of bankers, trade creditors and other creditors aggregating approximately HK$15.1 million. The directors have been in negotiations with the Group's major bankers and creditors to revise the settlement terms, and with a view to converting part of the Group's existing debts into ordinary shares of the Company.

The financial statements have been prepared on the assumption that the Group will continue to operate as a going concern notwithstanding the conditions prevailing at 31 March 2003 and subsequent thereto up to the date of approval of these financial statements. In order to improve the Group's financial position, immediate liquidity, cash flows, profitability and operations, the directors have adopted several financing measures which have been completed or to be completed subsequent to the balance sheet date together with other measures in progress at the date of this report which include, but are not limited to, the following:

(i) Subsequent to the balance sheet date, on 11 June 2003, the Company completed the issue of convertible bonds with an aggregate principal of HK$6,000,000 to a number of independent investors. Further details of the terms of such convertible bonds are set out in note 38(iv) to the financial statements. The proceeds from the issue of the convertible bonds were primarily used as general working capital of the Group and partially utilised to reduce the Group's indebtedness.

(ii) On 18 July 2003, the Company entered into an underwriting agreement with an independent third party for the issuance of further convertible bonds with an aggregate principal amount of approximately HK$7,500,000 to a number of independent investors. Further details of the terms of these convertible bonds are set out in note 38(vi) to the financial statements.

(iii) On 15 May 2003, the directors of the Company proposed to reduce the nominal value of each existing ordinary share from HK$0.10 to HK$0.0005 by cancelling the Company's paid-up capital to the extent of HK$0.0995 on each issued ordinary share of the Company, and a consolidation of every 20 reduced shares of HK$0.0005 each created by the capital reduction into one share of HK$0.01 each. In the opinion of the directors, the capital reorganisation should facilitate the Company in its endeavours to raise funds by means of the issue of ordinary shares. Further details of these transactions are set out in note 38(iii) to the financial statements.

1. BASIS OF PRESENTATION AND FUNDAMENTAL UNCERTAINTIES RELATING TO GOING CONCERN (continued)

(iv) Subsequent to the balance sheet date, the Company entered into subscription agreements with certain creditors of the Group for the issuance of new ordinary shares at HK$0.20 each to settle the outstanding debts. The completion of the subscription agreements is conditional upon, but not limited to, the completion of the capital reorganisation as set out in point (iii) above. Further details of these transactions are also set out in the Company's press announcement dated 28 May 2003.

(v) Subsequent to the balance sheet date, the Group entered into settlement agreements with certain secured creditors pursuant to which the Group agrees to settle the outstanding debts by 10 to 12 monthly cash instalments commencing in April 2003. The Group has also entered into settlement agreements with certain unsecured creditors, pursuant to which the Group is granted with settlement discount of about 30% on the outstanding debts which will be repaid by monthly cash instalments. Further details of the settlement arrangements are also set out in the Company's press announcements dated 28 May 2003.

(vi) The directors have taken actions to tighten cost controls over factory overheads and various administrative expenses, and the activities of the Group have been significantly scaled down.

In the opinion of the directors, in light of the measures taken to date, the Group will have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial position and tight cash flows as at 31 March 2003.

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

2. CORPORATE INFORMATION

The Company was previously incorporated in the Cayman Islands as an exempted company under the Companies Law Cap. 22 of the Cayman Islands (the "Companies Law") with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a special resolution passed by the shareholders in an extraordinary general meeting held subsequent to the balance sheet date on 9 June 2003 and approved by the Registrars of Companies in the Cayman Islands and Bermuda on 9 July 2003, the Company de-registered from the Cayman Islands under Section 226 of the Companies Law and re-domiciled in Bermuda under Section 132C of the Companies Act 1981 of Bermuda as an exempted company.

During the year, the Group was involved in the design, manufacture and sale of LCD-based electronic products (including calculators and Euro converters) and electronic components.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

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

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

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

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

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

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

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the cash flow statement has been revised.

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 had no material effect on the financial statements. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 30 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, 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.

Basis of consolidation

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

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

Subsidiaries

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

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

Joint venture companies

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

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon 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.

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

NOTES TO FINANCIAL STATEMENTS

31 March 2003

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies (continued)

(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.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

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

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of not exceeding five years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

Impairment of assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

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

Fixed assets and depreciation

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

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	50 years or over the lease terms, whichever is shorter
Leasehold improvements	5 years or over the lease terms, whichever is shorter
Plant and machinery	6 years
Moulds	4 to 6 years
Furniture, equipment and motor vehicles	5 years

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

Notes to financial statements

31 March 2003

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing.

Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

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

Long term investments

Long term investments are clearly identifiable unlisted equity securities, which are intended to be held on a continuing basis for an identified long term purpose documented at the time of acquisition or change of purpose. Such investments are stated at cost less any impairment losses, on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Inventories

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Deferred tax

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

Revenue recognition

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

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

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

Research and development costs

All research costs are charged to the profit and loss account 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 projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

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

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

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the 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 a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme.

Share option scheme

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

(a) the LCD-based electronic products segment engages in the manufacture and sale of LCD-based electronic products including calculators and Euro converters; and

(b) the electronic components segment engages in the manufacture and sale of electronic components.

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

NOTES TO FINANCIAL STATEMENTS

31 March 2003

5. SEGMENT INFORMATION (continued)

(a) Business segments

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

Group

	LCD-based electronic products		Electronic components		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**122,522**	246,785	**942**	9,761	**–**	–	**123,464**	256,546
Intersegment sales	**–**	–	**9,437**	6,866	**(9,437)**	(6,866)	**–**	–
Other revenue	**1,338**	1,760	**–**	8	**–**	–	**1,338**	1,768
Total	**123,860**	248,545	**10,379**	16,635	**(9,437)**	(6,866)	**124,802**	258,314
Segment results	**(242,267)**	(42,154)	**(5,978)**	4,127	**–**	–	**(248,245)**	(38,027)
Interest income							**26**	560
Unallocated expenses							**(13,886)**	(2,806)
Loss from operating activities							**(262,105)**	(40,273)
Finance costs							**(1,141)**	(6,884)
Share of losses of associates	**–**	–	**(729)**	(5,733)	**–**	–	**(729)**	(5,733)
Loss on deemed partial disposal of interests in associates							**(4,342)**	–
Impairment of goodwill arising from acquisition of associates							**–**	(12,469)
							(5,071)	(18,202)
Loss before tax							**(268,317)**	(65,359)
Tax							**2,520**	934
Loss before minority interests							**(265,797)**	(64,425)
Minority interests							**2,387**	1,030
Net loss from ordinary activities attributable to shareholders							**(263,410)**	(63,395)

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	LCD-based electronic products		Electronic components		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**76,044**	282,093	**35,723**	39,775	**(20,573)**	(7,282)	**91,194**	314,586
Interests in associates	**–**	–	**22,489**	27,560	**–**	–	**22,489**	27,560
Unallocated assets							**32,491**	18,192
Total assets	**76,044**	282,093	**58,212**	67,335	**(20,573)**	(7,282)	**146,174**	360,338
Segment liabilities	**97,769**	76,071	**1,925**	1,485	**(20,573)**	(7,282)	**79,121**	70,274
Unallocated liabilities							**12,675**	10,574
Total liabilities	**97,769**	76,071	**1,925**	1,485	**(20,573)**	(7,282)	**91,796**	80,848
Other segment information:								
Depreciation and amortisation	**22,706**	30,669	**6,630**	7,039	**–**	–	**29,336**	37,708
Capital expenditure	**5,162**	44,515	**281**	283	**–**	–	**5,443**	44,798
Unallocated amounts							**32,148**	–
							37,591	44,798
Impairment of goodwill recognised in the profit and loss account	**–**	–	**–**	12,469	**–**	–	**–**	12,469
Provision for doubtful debts	**429**	5,135	**–**	–	**–**	–	**429**	5,135
Loss on disposal of leasehold land and buildings	**6,513**	–	**–**	–	**–**	–	**6,513**	–
Loss on disposal of fixed assets, excluding leasehold land and buildings	**5,149**	–	**1,769**	–	**–**	–	**6,918**	–
Write-off of fixed assets	**25,577**	–	**3,993**	–	**–**	–	**29,570**	–

NOTES TO FINANCIAL STATEMENTS

31 March 2003

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	LCD-based electronic products		Electronic components		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information (continued):								
Write-off of inventories, Euro converters	**60,887**	–	**–**	–	**–**	–	**60,887**	–
Write-off of slow-moving inventories	**31,804**	–	**–**	–	**–**	–	**31,804**	–
Write-off of damaged inventories	**35,436**	–	**–**	–	**–**	–	**35,436**	–
Provision for slow-moving inventories	**15,669**	–	**–**	–	**–**	–	**15,669**	–
Loss in respect of discounts given in collection of trade debts	**33,331**	–	**–**	–	**–**	–	**33,331**	–

(b) Geographical segments

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

Group

	Asia		Europe		North and South America		Others		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**42,478**	26,512	**15,208**	112,682	**54,065**	107,991	**11,713**	9,361	**123,464**	256,546
Other segment information:										
Segment assets	**144,643**	311,141	**–**	3,171	**1,531**	46,026	**–**	–	**146,174**	360,338
Capital expenditure	**37,591**	44,798	**–**	–	**–**	–	**–**	–	**37,591**	44,798

6. TURNOVER, OTHER REVENUE AND GAIN

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year. All significant intra-Group transactions have been eliminated on consolidation.

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

	Group	
	2003	2002
	HK$'000	HK$'000
Turnover		
Sale of goods	**123,464**	256,546
Other revenue		
Interest income	**26**	560
Sale of scrap materials	**1,239**	1,245
Subcontracting fee income	**–**	235
Others	**99**	288
	1,364	2,328
Gain		
Gain on disposal of fixed assets	**–**	781
	1,364	3,109

NOTES TO FINANCIAL STATEMENTS

31 March 2003

7. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	Notes	2003 HK$'000	2002 HK$'000
Cost of inventories sold		**126,769**	249,330
Depreciation	14	**27,243**	35,800
Provision for inventories		**–**	3,805
Minimum lease payments under operating leases in respect of land and buildings		**1,843**	2,263
Auditors' remuneration		**460**	990
Staff costs (excluding directors' remuneration – note 9):			
Salaries and wages		**8,662**	20,078
Pension scheme contributions		**106**	167
		8,768	20,245
Research and development costs *		**4,120**	3,956
Amortisation of goodwill *	15	**2,093**	1,908
Provision for doubtful debts *		**429**	5,135
Exchange losses, net *		**1,300**	1,298
Loss on disposal of leasehold land and buildings *		**6,513**	–
Loss on disposal of fixed assets, excluding leasehold land and buildings *		**6,918**	–
Write-off of fixed assets *		**29,570**	–
Write-off of deposits recoverable *		**10,093**	–
Write-off of inventories, Euro converters *		**60,887**	–
Write-off of slow-moving inventories *		**31,804**	–
Write-off of damaged inventories *		**35,436**	–
Provision for slow-moving inventories *		**15,669**	–
Loss in respect of discounts given in collection of trade debts *		**33,331**	–

The cost of inventories sold includes HK$26,382,000 (2002: HK$47,214,000) relating to staff costs, depreciation, minimum lease payments under operating leases in respect of land and buildings and provision for inventories, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

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

8. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**623**	5,729
Interest on mortgage loans wholly repayable after five years	**339**	594
Interest on finance leases	**179**	561
	1,141	6,884

9. DIRECTORS' REMUNERATION

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

	Group	
	2003	2002
	HK$'000	HK$'000
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**123**	228
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**709**	1,715
Pension scheme contributions	**21**	36
	853	1,979

The remuneration of each director fell within the nil to HK$1,000,000 band for the two years ended 31 March 2003. The directors' remuneration shown above does not include the estimated monetary value of certain then premises owned by the Group provided rent-free to a director of the Company. The estimated rental value of such accommodation was approximately HK$128,000 (2002: HK$240,000) for the year ended 31 March 2003.

During the year, there were no bonuses paid or payable to the directors (2002: Nil). No directors waived or agreed to waive any remuneration during the year (2002: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2002: Nil).

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10. SIX HIGHEST PAID EMPLOYEES

The six highest paid employees during the year included one director (2002: four directors), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining five (2002: two) non-director, highest paid employees which fell within the nil to HK$1,000,000 band are as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,748**	740
Pension scheme contributions	**48**	18
	1,796	758

During the year, there were no bonuses paid or payable to any of the six highest paid employees of the Group (2002: Nil). No emoluments were paid by the Group to any of the six highest paid employees as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2002: Nil).

11. TAX

	2003	2002
	HK$'000	HK$'000
Group:		
Overprovision in prior years	**–**	(934)
Deferred - note 28	**(2,520)**	–
	(2,520)	(934)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during each of the two years ended 31 March 2003. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 March 2003 was HK$76,103,000 (2002: net loss of HK$53,307,000).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$263,410,000 (2002: HK$63,395,000) and the weighted average of 2,909,128,537 (2002: 2,625,048,000) shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2003 and 2002 have not been disclosed because no diluting events existed during these years.

13. LOSS PER SHARE (continued)

The comparative basic loss per share amount has been adjusted to reflect the bonus issue of shares during the year, as further detailed in note 29 to the financial statements.

As set out in note 38(iii) to the financial statements, subsequent to the balance sheet date, every 20 issued and unissued existing ordinary shares of the Company were consolidated into one consolidated share (the "Share Consolidation"). Taking into account of the Share Consolidation, the basic loss per share is adjusted to HK$1.81 (2002: HK$0.48), calculated based on the net loss from ordinary activities attributable to shareholders for the year of HK$263,410,000 (2002: HK$63,395,000) and on the adjusted weighted average number of 145,456,426 (2002: 131,252,400) shares in issue during the year.

14. FIXED ASSETS

Group

	Medium term leasehold land and buildings in Hong Kong	Leasehold improvements	Plant and machinery	Moulds	Furniture, equipment and motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:						
At beginning of year	17,354	4,473	97,568	101,817	12,358	233,570
Additions	–	20	–	5,414	9	5,443
Disposals	(17,354)	–	(18,750)	(10,156)	(6,855)	(53,115)
Write-off	–	(1,701)	(51,450)	(45,739)	(1,568)	(100,458)
At 31 March 2003	–	2,792	27,368	51,336	3,944	85,440
Accumulated depreciation:						
At beginning of year	2,062	3,961	47,998	41,713	10,185	105,919
Provided during the year	202	323	11,462	14,377	879	27,243
Disposals	(2,264)	–	(14,719)	(6,180)	(6,855)	(30,018)
Write-off	–	(1,574)	(34,971)	(32,961)	(1,382)	(70,888)
At 31 March 2003	–	2,710	9,770	16,949	2,827	32,256
Net book value:						
At 31 March 2003	–	82	17,598	34,387	1,117	53,184
At 31 March 2002	15,292	512	49,570	60,104	2,173	127,651

The net book value of the Group's fixed assets held under finance leases included in the total amount of the plant and machinery and motor vehicles at 31 March 2003, amounted to nil (2002: HK$6,570,000) and approximately HK$711,000 (2002: HK$845,000), respectively.

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15. GOODWILL

The amounts of the goodwill capitalised as an asset, arising from the acquisition of additional interest in a subsidiary during the year and of a PCB factory in the People's Republic of China (the "PRC") in the prior year, are as follows:

	Group
	HK$'000
Cost:	
At beginning of year	9,538
Acquisition of additional interest in a subsidiary (note 16)	6,300
At 31 March 2003	15,838
Accumulated amortisation:	
At beginning of year	1,908
Amortisation provided during the year	2,093
At 31 March 2003	4,001
Net book value:	
At 31 March 2003	11,837
At 31 March 2002	7,630

16. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	HK$'000
Unlisted shares, at cost	**95,229**	95,229
Due from subsidiaries	**387,810**	268,042
	483,039	363,271
Less: Provision for impairment	**(77,800)**	(77,800)
	405,239	285,471

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

16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Company	Place of incorporation/ registration	Nominal value of issued and fully paid-up share/registered capital	Percentage of equity interest attributable to the Company	Principal activities
Held directly:				
Cedar Base (BVI) Limited ("Cedar Base BVI")	British Virgin Islands	Ordinary US$200	100%	Investment holding
Superwise Business Limited *	British Virgin Islands	Ordinary US$100	100%	Investment holding
Held indirectly:				
Cedar Base Electronic Limited ("Cedar Base Electronic")	Hong Kong	Ordinary HK$2 Non-voting deferred (note (a)) HK$500,000	100%	Manufacture and trading of electronic products
Cedar Plastic Manufacturing Limited	Hong Kong	Ordinary HK$10,000	100%	Leasing of machinery
Cedar Telecom Technology (H.K.) Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Marine Union Limited	Hong Kong	Ordinary HK$2 Non-voting deferred (note (a)) HK$10,000	100%	Dormant

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16. INTERESTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration	Nominal value of issued and fully paid-up share/registered capital	Percentage of equity interest attributable to the Company	Principal activities
Held indirectly (continued)*:*				
Century Hope Limited	Hong Kong	Ordinary HK$2 Non-voting deferred (note (a)) HK$2	100%	Dormant
Limbrick Investment Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
東莞易達興業電子有限公司 (note (b))	PRC	HK$59,863,722	100%	Manufacture of electronic products and components

* Newly incorporated during the year

Notes:

(a) The non-voting deferred shares carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up (other than the nominal amount paid up or credited as paid up on such shares, after the sum of HK$1,000,000,000 per ordinary share has been distributed to the holders of the ordinary shares of the company in such a winding-up).

(b) 東莞易達興業電子有限公司 ("Dongguan Cedar") was established by Cedar Electronic Industrial Co. ("Cedar Industrial"), a then related company of the Group, and a PRC partner as an equity joint venture company for a period of 12 years commencing on 10 December 1993. Pursuant to an agreement entered into between Cedar Industrial and the Group on 16 October 1994, the assets of Cedar Industrial were transferred to the Group. Accordingly, Dongguan Cedar became a subsidiary of the Group. The registered capital of Dongguan Cedar was HK$105 million at 31 March 2003.

During the year, the Group acquired an additional 6% equity interest in Dongguan Cedar at a consideration of HK$6,300,000 and, accordingly, Dongguan Cedar became a wholly-owned subsidiary of the Group as at 31 March 2003 and re-registered as a wholly foreign owned enterprise under the PRC law. A goodwill of approximately HK$6,300,000 arose from the acquisition (note 15).

16. INTERESTS IN SUBSIDIARIES (continued)

All of the above subsidiaries operate principally in their places of incorporation/registration.

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.

17. INTERESTS IN ASSOCIATES

	Group	
	2003	2002
	HK$'000	HK$'000
Share of net assets other than goodwill	**22,489**	27,560

As detailed in note 4 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provisions of SSAP 30 that permitted goodwill in respect of acquisitions which occurred prior to 1 April 2001, to remain eliminated against consolidated reserves.

The amounts of goodwill remaining in consolidated reserves as at 31 March 2003, arising from the acquisition of associates prior to 1 April 2001, are as follows:

	Group
	HK$'000
Cost:	
At beginning of year and at 31 March 2003	28,550
Accumulated impairment:	
At beginning of year and at 31 March 2003	12,469
Net book value:	
At 31 March 2003	16,081
At 31 March 2002	16,081

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17. INTERESTS IN ASSOCIATES (continued)

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Held indirectly:				
Electronics Tomorrow Manufactory Inc. ("ETMI")	Corporate	British Virgin Islands	35%	Investment holding
E-Top PCB Limited	Corporate	Hong Kong	35%	Trading of printed circuit boards
Plentiful Light Limited	Corporate	British Virgin Islands/ Mainland China	35%	Manufacture of printed circuit boards
Dongguan Yifu Circuit Board Factory ("DG Yifu")	Corporate	Mainland China	29.4%	Manufacture of printed circuit boards

The financial statements of the above associates (collectively the "ETMI Group") have a financial year ending 31 December. The consolidated financial statements have been adjusted for material transactions, if any, between these associates and the Group companies between 1 January and 31 March.

During the year, the Group's holding in the ETMI Group decreased from 45% to 35% with the holding in DG Yifu decreased from 37.8% to 29.4% due to the issuance and allotment of new shares to the other shareholders of ETMI. A loss on deemed partial disposal of interests in ETMI of HK$4,342,000 (2002: Nil) arose.

17. INTERESTS IN ASSOCIATES (continued)

A summary of the results for the year and the net assets as at the balance sheet date of the material associates of the Group, is set out below:

	2003 HK$'000	2002 HK$'000
Turnover	**106,872**	96,763
Net loss attributable to shareholders	**2,082**	12,741
ASSETS AND LIABILITIES		
Non-current assets	**50,666**	59,793
Current assets	**58,149**	43,018
Current liabilities	**(28,699)**	(28,683)
Non-current liabilities	**(7,000)**	(4,000)
Minority interests	**(8,896)**	(8,884)
	64,220	61,244

18. LONG TERM INVESTMENTS

	Group	
	2003 HK$'000	2002 HK$'000
Unlisted equity investments outside Hong Kong, at cost	**32,148**	–

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18. LONG TERM INVESTMENTS (continued)

Particulars of the investee companies newly acquired during the year are as follows:

Name	Place of incorporation	Class of shares held	Percentage of equity interest attributable to the Group	Principal activities	Notes
Hodgkins Enterprises Limited ("Hodgkins Enterprises")	British Virgin Islands	Ordinary shares	30%	System integration and training	(i)
Shanghai Jianhua Satellite Communication Co., Ltd. ("Shanghai Jianhua")	PRC	Registered capital	10%	Operation of satellite communication business	(ii)

Notes:

(i) The percentage of equity in Hodgkins Enterprises attributable to the Group amounts to over 20%. These investments, however, are not equity-accounted for in accordance with SSAP 10 "Accounting for investments in associates" because the directors consider that the Group is not in a position to exercise significant influence over their operations. In the opinion of the directors, the costs of these investments approximate to their fair values as at 31 March 2003. The results of these companies are dealt with in the consolidated profit and loss account to the extent of dividends received from these companies.

(ii) During the year, a subsidiary of the Company acquired a 10% equity interest in Shanghai Jianhua from 南京新捷迅國際貿易總公司 at a cash consideration of RMB25,000,000, equivalent to approximately HK$23,148,000. According to a trust agreement dated 1 December 2002, the 10% equity interest is held in trust by a director of Shanghai Jianhua on behalf of the Group. Pursuant to a PRC legal opinion, the trust arrangement is not legally inenforceable under the existing PRC laws and such arrangement is protected under the existing PRC laws.

19. INVENTORIES

	Group	
	2003	2002
	HK$'000	HK$'000
Raw materials	**22,267**	65,785
Work in progress	**797**	6,666
Finished goods	**440**	9,414
	23,504	81,865

20. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade receivables, which generally have credit terms not exceeding 120 days, are recognised and carried at original invoiced amount less provision for doubtful debts which are recorded when collection of a receivable is no longer probable. Bad debts are written off as incurred.

An aged analysis of the trade receivables at the balance sheet date, based on invoice date, is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Current to 90 days	**1,754**	27,315
91 to 180 days	**–**	23,918
Over 181 days	**3**	2,735
	1,757	53,968

21. TRADE AND BILLS PAYABLE

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

	Group	
	2003	2002
	HK$'000	HK$'000
Current to 90 days	**609**	10,948
91 to 180 days	**2,482**	10,230
Over 181 days	**31,167**	1,653
	34,258	22,831

At 31 March 2003, the Group received customers' deposits of approximately HK$6,244,000 which were supported by a guarantee given by Mr. Tong Yiu Lun, a former director of the Company (note 36).

22. BANKING FACILITIES

At 31 March 2003, the Group's banking facilities were secured by the following:

(i) legal charges on certain properties owned by two (2002: two) related parties;

(ii) unlimited continuing guarantees executed jointly and severally by Mr. Tong Yiu Lun and Ms. Wu Pik Ying, former directors of the Company; and

(iii) corporate guarantees from the Company.

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22. BANKING FACILITIES (continued)

At 31 March 2002, the Group's bank facilities were also secured by the pledge of the Group's time deposits of approximately HK$1.0 million; the legal charges on the Group's leasehold land and buildings situated in Hong Kong with an aggregate net book value of approximately HK$15.3 million; the legal charges on certain properties owned by two related parties; the unlimited continuing guarantees executed jointly and severally by certain former directors of the Company; and the corporate guarantees from the Company. The Group's overdraft facilities amounting to HK$1.0 million were secured by the pledge of certain of the Group's time deposits of approximately HK$1.0 million.

23. BANK LOANS, SECURED

	Group	
	2003	2002
	HK$'000	HK$'000
Bank loans repayable:		
Within one year	**8,308**	4,062
In the second year	**–**	3,175
In the third to fifth years, inclusive	**–**	2,075
	8,308	9,312
Portion classified as current liabilities	**(8,308)**	(4,062)
Non-current portion	**–**	5,250

Details of the security provided by the Group in respect of the bank loans are set out in note 22 above.

24. MORTGAGE LOANS, SECURED

	Group	
	2003	2002
	HK$'000	HK$'000
Mortgage loans repayable:		
Within one year	**–**	925
In the second year	**–**	980
In the third to fifth years, inclusive	**–**	3,311
Beyond five years	**–**	2,729
	–	7,945
Portion classified as current liabilities	**–**	(925)
Non-current portion	**–**	7,020

Details of the security provided by the Group in respect of the mortgage loans in the prior year are set out in note 22 above.

25. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery and motor vehicles for its LCD-based electronic products business. These leases are classified as finance leases and have remaining lease term of one year.

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

Group

	Minimum lease payments 2003 HK$'000	Minimum lease payments 2002 HK$'000	Present value of minimum lease payments 2003 HK$'000	Present value of minimum lease payments 2002 HK$'000
Amounts payable:				
Within one year	**3,865**	3,695	**3,650**	3,432
In the second year	**–**	1,976	**–**	1,799
Total minimum finance lease payments	**3,865**	5,671	**3,650**	5,231
Future finance charges	**(215)**	(440)		
Total net finance lease payables	**3,650**	5,231		
Portion classified as current liabilities	**(3,650)**	(3,432)		
Non-current portion	**–**	1,799		

26. DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, interest-free and is repayable on demand.

27. PROMISSORY NOTES PAYABLE

During the year, the Group issued nine promissory notes (the "Promissory Notes") with an aggregate principal amount of HK$9,000,000 in consideration for the acquisition of a long term investment in Hodgkins Enterprises (note 18). The promissory notes are interest-free, unsecured and are repayable on 30 December 2004.

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28. DEFERRED TAX

	Group	
	2003	2002
	HK$'000	HK$'000
At beginning of year	**2,520**	2,520
Credit for the year – note 11	**(2,520)**	–
At end of year	**–**	2,520

The principal components of the Group's provision for deferred tax, and the net deferred tax asset position not recognised in the financial statements are as follows:

	Provided		Not provided	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated depreciation allowances	**–**	3,189	**126**	90
Tax losses carried forward	**–**	(669)	**(3,047)**	(843)
	–	2,520	**(2,921)**	(753)

The Company had no significant unprovided deferred tax at the balance sheet date (2002: Nil).

29. SHARE CAPITAL

Shares

	2003	2002
	HK$'000	HK$'000
Authorised:		
10,000,000,000 (2002: 2,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	200,000
Issued and fully paid:		
3,062,556,000 (2002: 1,312,524,000) ordinary shares of HK$0.10 each	**306,256**	131,252

Pursuant to an ordinary resolution passed by the shareholders in an extraordinary general meeting held on 22 July 2002, the authorised share capital of the Company was increased from HK$200,000,000 to HK$1,000,000,000 by the creation of 8,000,000,000 additional shares of HK$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.

29. SHARE CAPITAL (continued)

Shares (continued)

Details of the movements in the issued share capital of the Company during the year are as follows:

	Notes	Carrying amount 2003 HK$'000	No. of shares 2003 '000	Carrying amount 2002 HK$'000	No. of shares 2002 '000
At beginning of year		131,252	1,312,524	57,825	578,250
Open offer	(a)	43,751	437,508	–	–
Bonus issue	(b)	131,253	1,312,524		
Placement of new shares		–	–	66,505	665,049
Share options exercised		–	–	6,922	69,225
At end of year		306,256	3,062,556	131,252	1,312,524

Notes:

(a) An open offer of one offer share for every three existing shares held by members on the register of members on 22 July 2002 was made, at an issue price of HK$0.10 per offer share, resulting in the issue of 437,508,000 shares of HK$0.10 each (the "Offer Shares") for a total cash consideration, before expenses, of approximately HK$43,751,000.

(b) Pursuant to a shareholders' resolution passed on 22 July 2002, 1,312,524,000 new ordinary shares of HK$0.10 each ranking pari passu with the then existing ordinary shares were issued as bonus shares on the basis of three bonus shares for every one Offer Share. The par value of these bonus shares of approximately HK$110,117,000 and HK$21,136,000 were debited to the Company's share premium account and retained profits, respectively.

Share options

Details of the Company's share option scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

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

On 6 September 2002, the share option scheme of the Company adopted on 22 September 1999 ceased to operate and a new share option scheme (the "Scheme") was adopted on the same date to comply with the new requirements of Chapter 17 of the Listing Rules regarding share option scheme of a company.

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30. SHARE OPTION SCHEME (continued)

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, and any minority shareholders in the Company's subsidiaries. The Scheme became effective on 6 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the 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 this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and 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.

The exercise price of the share options 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 an ordinary share.

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

No share options have been granted since the adoption of the Scheme and the Company had no share options outstanding as at the balance sheet date.

31. 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 of the financial statements.

In accordance with the relevant PRC regulations and/or the companies' memorandum and articles of association, Dongguan Cedar, a subsidiary of the Company established in the PRC, is required to transfer a certain percentage of its respective profit after tax, if any, to the statutory reserve (until such reserve reaches 50% of the registered capital of Dongguan Cedar) and the enterprise development fund. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against the respective accumulated losses, if any, of Dongguan Cedar or for the issuance of bonus shares. The enterprise development fund can be used for the future development of Dongguan Cedar or for the issuance of bonus shares. Both the statutory reserve and the enterprise development fund are not available for distribution.

The amount of the goodwill remaining in consolidated reserves, arising from the acquisition of associates in prior years, is HK$16,081,000 (2002: HK$16,081,000), at 31 March 2003. Details of the goodwill remaining in consolidated reserves are included in note 17 to the financial statements.

The capital reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in October 1999 (the "Reorganisation") over the nominal value of the share capital of the Company issued in exchange therefor.

(b) Company

	Share premium account HK$'000	Capital reserve HK$'000	Retained profit/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2001	73,525	95,029	(697)	167,857
Issue of shares	43,021	–	–	43,021
Share issue expenses	(3,342)	–	–	(3,342)
Net loss for the year	–	–	(53,307)	(53,307)
At 31 March 2002 and 1 April 2002	113,204	95,029	(54,004)	154,229
Net profit for the year	–	–	76,103	76,103
Bonus issue of shares (note 29(b))	(110,117)	–	(21,136)	(131,253)
Share issue expenses	(3,087)	–	–	(3,087)
At 31 March 2003	–	95,029	963	95,992

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31. RESERVES (continued)

(b) Company (continued)

The capital reserve of the Company represents the difference between the then combined net asset value of the subsidiaries acquired pursuant to the Reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

The Company had distributable reserves of HK$95,992,000 (2002: HK$154,229,000) at 31 March 2003. Under the Companies Law (2001 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

(i) During the year, the Group acquired a long term investment for a consideration of approximately HK$9,000,000, satisfied by the issuance of promissory notes with an aggregate principal amount of HK$9,000,000 (note 27).

(ii) In the prior year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of approximately HK$7,560,000.

(b) Acquisition of a factory in the PRC in the prior year

	Group	
	2003	2002
	HK$'000	HK$'000
Net assets acquired:		
Fixed assets	–	24,431
Inventories	–	1,064
Trade receivables	–	615
	–	26,110
Goodwill on acquisition (note 15)	–	9,538
	–	35,648
Satisfied by:		
Cash	–	3,704
Deposits paid for other investment	–	31,944
	–	35,648

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

(b) Acquisition of a factory in the PRC in the prior year (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a factory in the PRC is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Cash consideration and net outflow of cash and cash equivalents in respect of the acquisition of a factory in the PRC	–	3,704

Since its acquisition, the acquired factory contributed approximately HK$10 million to the Group's turnover and a profit before tax and before minority interests of approximately HK$6 million for the year ended 31 March 2002.

During the prior year, the acquired PCB factory contributed net operating cash inflows of approximately HK$292,000 to the Group, paid approximately HK$237,000 in respect of the cashflows for investing activities, but had no significant impact on the Group's cash flows for financing activities.

(c) Disposal of subsidiaries

During the year, the Company disposed of certain subsidiaries with aggregate net asset value of HK$48 at a consideration of HK$48. The results of the subsidiaries disposed of during the year has had no significant impact on the Group's consolidated turnover or loss after tax for the year.

33. CAPITAL COMMITMENTS

(a) At 31 March 2003, the Group was committed to make a capital injection to an equity joint venture operating in the PRC of approximately HK$45.1 million (2002: HK$45.1 million).

(b) In addition, at 31 March 2003, the Group's shares of its associates' own capital commitments in respect of capital injection to an equity joint venture operating in the PRC amounted to approximately HK$1.6 million (2002: HK$5.0 million) which is not included in the above.

The Company did not have any significant capital commitments at the balance sheet date (2002: Nil).

34. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties, factory premises and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within one year	**1,242**	1,538
In the second to fifth years, inclusive	**915**	1,753
	2,157	3,291

The Company did not have operating lease commitments at the balance sheet date (2002: Nil).

35. CONTINGENT LIABILITIES

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

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bills discounted with recourse	**–**	3,955	**–**	–
Guarantees given to banks in connection with facilities granted to certain subsidiaries	**–**	–	**18,500**	30,488
	–	3,955	**18,500**	30,488

At 31 March 2003, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$4.7 million (2002: HK$11.7 million).

36. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

At 31 March 2003 and 2002, the banking facilities of the Group were supported by legal charges on certain properties owned by two (2002: two) related parties at nil consideration.

During the year, Asset Full Resources Limited, a shareholder of the Company and beneficially owned by Mr. Duan Chuan Liang, a director of the Company, advanced approximately HK$4.6 million to the Group. The shareholder's advance is interest-free, unsecured and is repayable on demand.

During the year, certain of the Group's leasehold land and buildings with net book value of HK$7,886,000 were disposed to a director of a subsidiary of the Group at a consideration of HK$4,000,000.

The banking facilities of the Group were supported by unlimited continuing guarantees executed jointly and severally by Mr. Tong Yiu Lun and Ms. Wu Pik Ying, former directors of the Company, at nil consideration (note 22).

During the year, the Group received customers' deposits of approximately HK$6,244,000 which are supported by a guarantee given by Mr. Tong Yiu Lun, a former director of the Company (note 21).

37. LITIGATIONS

At 31 March 2003, a winding-up petition had been filed against the Company and Cedar Base Electronic, a wholly-owned subsidiary of the Company, by Dah Sing Bank, Limited ("Dah Sing Bank") in respect of an aggregate amount owed of approximately HK$3.7 million granted under its banking facilities. Subsequent to the balance sheet date, the Company reached an out-of-court settlement agreement with Dah Sing Bank to repay the outstanding amount under the petition of approximately HK$3.7 million by 12 instalments commencing in April 2003.

Subsequent to the balance sheet date, a second winding-up petition was filed against the Company by the Industrial and Commercial Bank of China (Asia) Limited ("ICBC") on 11 April 2003 in respect of an aggregate amount owed to ICBC of approximately HK$0.9 million granted under its facilities. The Company has reached a preliminary agreement with ICBC, whereby the Company proposes to repay the relevant loans by 10 monthly instalments. In addition, on 19 May 2003, certain suppliers of the Group applied to the High Court of Hong Kong (the "High Court") to substitute Dah Sing Bank to continue the petition proceedings in respect of an aggregate amount owed of approximately HK$4 million. The application was approved by the High Court on 28 July 2003 and the first hearing is scheduled to be held on 29 August 2003. In the opinion of the directors of the Company, all outstanding amounts have been recorded in the Group's financial statements and will be settled upon the completion of several financing measures as referred to in note 1 to the financial statements, and proper disclosures thereof have been made in the financial statements.

During the year, the Group was involved in certain litigation in respect of claims made by certain creditors in aggregate of approximately HK$15.1 million. The Group had made out-of-court settlements with certain of these creditors and settlement arrangements for certain of the judgements made by the court of approximately HK$10.6 million. The Group was in the process of negotiating with the remaining creditors to reach settlement proposals in the amount of approximately HK$4.5 million as at the date of this report.

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38. POST BALANCE SHEET EVENTS

In addition to the post balance sheet events detailed elsewhere in these financial statements, the details of the significant post balance sheet events of the Group are set out below:

(i) Pursuant to a special resolution passed at an extraordinary general meeting on 9 June 2003 (the "EGM"), the Company was de-registered from the Cayman Islands under Section 226 of the Companies Law and re-domiciled in Bermuda under Section 132C of the Companies Act 1981 of Bermuda as an exempted company (the "Re-domicile"). Pursuant to the Company's press announcement dated 16 July 2003, the Re-domicile became effective on 9 July 2003.

(ii) Pursuant to a special resolution passed by the shareholders in an extraordinary general meeting held subsequent to the balance sheet date on 9 June 2003, the Company changed its name from Cedar Base Electronic (Group) Limited to China Silver Dragon Group Limited. The certificate of incorporation on change of name, issued by the Registrar of Companies in the Cayman Islands on 17 June 2003, certified that the Company's name was changed and registered with effect from 17 June 2003.

(iii) Subsequent to the balance sheet date, the board of directors proposed to reorganise the capital structure of the Company. The implementation of the proposed capital restructuring (the "Capital Restructuring") would involve the following procedures:

(a) A reduction in the issued share capital in the amount of HK$0.0995 for every issued share at a nominal value of HK$0.10 each of the Company. The credit will be set off against the accumulated losses of the Company. Any remaining balance will be credited to the contributed surplus account of the Company;

(b) A subdivision of each authorised, but unissued share of the Company at HK$0.10 each into 200 shares at HK$0.0005 each (the "Reduced Share");

(c) A reduction of the authorised share capital of the Company from the original amount of HK$1,000,000,000 to HK$200,000,000, which will be represented by 400,000,000,000 Reduced Shares; and

(d) A consolidation of every 20 Reduced Shares of HK$0.0005 each created by the capital reduction in (a) and (b) above into one share of HK$0.01 each (the "Consolidated Share").

Further details of the Capital Restructuring are also set out in the Company's circular to shareholders dated 15 May 2003.

All of the above transactions were conditional upon, but not limited to, the passing of the necessary resolutions at the EGM of the Company and the Re-domicile becoming effective which was approved by the shareholders at the EGM. Pursuant to press announcements made by the Company dated 16 July 2003 and 25 July 2003, the Capital Restructuring became unconditional and effective on 25 July 2003.

38. POST BALANCE SHEET EVENTS (continued)

(iv) Pursuant to an underwriting agreement entered into between the Company and Kingston Securities Limited (the "Placing Agent") dated 20 May 2003, the Company issued convertible bonds for an aggregate principal amount of HK$6 million at par to certain independent investors (the "Bonds") on 11 June 2003. The Bonds will mature and will be redeemed by the Company at par on the second anniversary of the date of issue of the Bonds (the "Maturity Date"). The Bonds bear interest at a rate of 6% per annum payable annually in arrears on the anniversary date of the Bonds. The holders of the Bonds have the right to convert the principal outstanding amount of the Bonds in whole or in part into ordinary shares of the Company at any time before the Maturity Date at the initial conversion price of HK$0.20 per Consolidated Share (subject to adjustments).

Further details of the Bonds are also set out in a press announcement made by the Company dated 28 May 2003. The net proceeds from the issue of the Bonds of approximately HK$5.8 million are used to reduce certain existing debts of the Group outstanding at the balance sheet date of HK$1.9 million; to pay professional fees for the Re-domicile and the Capital Restructuring of HK$0.9 million; and to use as general working capital of the Group of HK$3 million.

(v) On 28 June 2003, Cedar Base BVI entered into a sale and purchase agreement with NK Enterprise Limited (the "Vendor"), an independent third party incorporated in the British Virgin Islands, to acquire 55% equity interest in Graham Industrial Limited ("Graham"), a company incorporated in the British Virgin Islands, at a consideration of HK$10,480,000. The Vendor has undertaken to inject into Graham, not later than 30 September 2003, a 100% interest in certain fixed assets such as fixtures, moulds and manufacturing tools, together with the operations and lease of a factory operated in Mainland China. Graham is intended to engage in the design, manufacture and sale of electronic products. The consideration for the acquisition of 55% equity interest in Graham was satisfied by the issuance of six interest-bearing notes by the Group on 30 June 2003 with an aggregate principal amount of HK$10,480,000. These interest-bearing notes bear interest at a rate of 7% per annum and are wholly repayable on 29 June 2006. Based on the preliminary financial information, the directors consider that the goodwill arising from the acquisition is not material.

(vi) Pursuant to an underwriting agreement entered into between the Company and Kingston Securities Limited (the "Placing Agent") on 18 July 2003, the Placing Agent agreed to place, on a fully underwritten basis, convertible bonds to be issued by the Company with an aggregate principal amount of HK$7.5 million at par to certain independent investors (the "Proposed Bonds"). The maturity date of the Proposed Bonds will be on the second anniversary from their date of issue; and the Proposed Bonds bear interest at a rate of 6% per annum payable annually in arrears on the anniversary date of issue of the Proposed Bonds. The holders of the Proposed Bonds have the right to convert the principal outstanding amount of the Proposed Bonds in whole or in part into ordinary shares of the Company at any time after 25 July 2003 until the secondary anniversary date of the date of issue of the Proposed Bonds at the initial conversion price of HK$0.25 per Consolidated Share (subject to adjustments). The net proceeds of approximately HK$7.3 million will be utilised for settlement with creditors.

Further details of the Proposed Bonds are also set out in the Company's press announcement dated 21 July 2003. The underwriting agreement has to be completed on or before 31 August 2003. The Company has not yet issued the Proposed Bonds at the date of approval of these financial statements.

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38. POST BALANCE SHEET EVENTS (continued)

(vii) Subsequent to the balance sheet date, the Company entered into a joint venture agreement with a PRC independent third party to established a Sino-foreign owned joint venture enterprise under the PRC law. Pursuant to the joint venture agreement, the joint venture is engaged in the supply of water and the Company will hold 60% equity interest in the joint venture. The establishment of the joint venture has not yet completed. Pursuant to the joint venture agreement, the proposed registered capital of the joint venture is approximately RMB5 million.

39. COMPARATIVE AMOUNTS

As further explained in note 3 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.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 July 2003.