1 PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention as modified by the revaluation of leasehold land and buildings.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA 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 (revised)	:	Employee benefits

The adoption of the above SSAPs does not have material effects on the accounts other than that certain presentation changes have been made following the adoption of SSAP 1 (revised) and SSAP 15 (revised).

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Group, directly or indirectly, controls more than one half of the voting power, has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

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

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

(c) Fixed assets

(i) Leasehold land and buildings

Leasehold land and buildings are stated at fair value, which is determined by the Directors based on independent valuations which are performed every three years, plus subsequent capital expenditures at cost less subsequent accumulated depreciation and provision for impairment in value as considered necessary by the Directors.

The professional valuation is performed every three years on an open market basis related to individual properties and separate values are not attributed to leasehold land and buildings. Increases in valuation are credited to the property revaluation reserve. Decreases in valuation are first offset against increases in earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited. In the intervening years following a professional valuation, the Directors review the carrying value of the leasehold land and buildings and adjustment is made where there has been a material change.

Upon disposal of a property, the relevant portion of the realised revaluation reserve in respect of previous valuation is transferred from the property revaluation reserve to retained profits and is shown as a movement in reserves.

The carrying value of leasehold land and buildings are depreciated on a straight-line basis over the unexpired periods of the leases or their expected useful lives of 50 years to the Group, whichever is shorter.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Fixed assets (continued)

(ii) Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. They are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	2%-5%
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Moulds	20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(iii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Assets under leases

(i) Finances leases

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

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

(ii) Operating leases

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

(e) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For all other acquisitions goodwill is generally amortised over 5-10 years.

Goodwill on acquisitions that occurred prior to 1 January 2001 was written off against reserves. Any impairment arising on such goodwill is accounted for in the profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Intangible assets (continued)

(ii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

(f) Other investments

(i) Club memberships and non-trading securities

Club memberships and non-trading securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments is reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Investment in life insurance contracts

The cash surrender value that could be realised under a life insurance contract at the balance sheet date is treated as an asset. The change in the cash surrender or contract value during the year is an adjustment of premium paid and is recognised as an expense or income in the profit and loss account.

(g) Inventories

Inventories comprise stocks and work-in-progress and are stated at the lower of cost and net realisable value. Cost, calculated on a first-in, first-out basis, comprises raw materials, direct labour and an appropriate proportion of production overheads.

Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses and, where appropriate, the cost of conversion from their existing state to a finished condition.

(h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Cash and cash equivalents

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

(j) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligation

For the Hong Kong employees, the Group contributes to a defined contribution retirement scheme and the Mandatory Provident Fund ("MPF"). The former is available to employees who joined prior to 1 December 2000 and the latter is available to employees who joined after 1 December 2000. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme costs charged to the profit and loss account represent contributions payable by the Group to the funds. For the defined contribution scheme, the Group's contributions are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. For the MPF, contributions vested immediately. The assets of the retirement schemes are held separately from those of the Group in an independently administered fund.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Employee benefits (continued)

(iii) Pension obligation (continued)

The subsidiaries in Mainland China, Indonesia and the United States participate in relevant defined contribution schemes, the assets of which are held separately from those of the Group in independently administered funds. Contributions are made to these schemes based on certain percentages of the applicable payroll costs. The contributions are expensed as incurred.

(iv) Equity compensation benefits

Share options are granted to Directors and to certain employees. The share options granted are not recognised in the accounts until they are exercised. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(k) Deferred taxation

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

(l) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves. Upon disposal of a foreign subsidiary, the relevant portion of the cumulative exchange differences realised is taken to the profit and loss account as part of the gain and loss on disposal.

(m) Revenue recognition

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Revenue recognition (continued)

Income arising from the manufacturing of moulds for customers is recognised upon the completion of the production and delivery of moulds.

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

(n) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(o) Provisions

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

(p) Contingent liabilities and contingent assets

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

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

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 events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

No analysis by business segment is presented as the Group's turnover and results are substantially derived from manufacturing operation.

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

2 TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the development, engineering, manufacture and sale of toys and moulds.

Revenues recognised during the year are as follows:

	2003 HK$'000	2002 HK$'000
Turnover		
Sale of goods	**665,317**	596,577
Mould income	**51,397**	60,856
	716,714	657,433
Other revenues		
Interest income	**2,619**	1,933
Others	**638**	1,252
	3,257	3,185
Total revenues	**719,971**	660,618

Primary reporting format – business segments

The Group's turnover and results are substantially derived from manufacturing operation. Accordingly, no analysis by business segment is presented.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Secondary reporting format – geographical segments

	Turnover 2003 HK$'000	Total assets 2003 HK$'000	Capital expenditure 2003 HK$'000
United States	**290,390**	**74,670**	**3,522**
Europe (Note)	**144,802**	**–**	**–**
Japan	**139,799**	**35,125**	**–**
Mainland China	**42,487**	**435,783**	**18,754**
Indonesia	**9,811**	**40,965**	**448**
Hong Kong	**58,936**	**192,442**	**25,418**
Other	**30,489**	**10,546**	**–**
	716,714	**789,531**	**48,142**

	Turnover 2002 HK$'000	Total assets 2002 HK$'000	Capital expenditure 2002 HK$'000
United States	242,144	60,031	24,149
Europe (Note)	149,886	69	–
Japan	124,771	37,758	–
Mainland China	36,450	437,920	42,102
Indonesia	–	33,001	14,518
Hong Kong	–	123,108	370
Other	104,182	3,196	–
	657,433	695,083	81,139

No analysis of contribution to operating profit by geographical segment has been prepared as no contribution to operating profit from any of the above segments is substantially out of line with the normal ratio of profit to turnover.

Note:

The turnover derived from Europe represents sales of toys to Japanese customers with goods shipped directly to Europe under the instruction of the Japanese customers. The respective trade receivables are included in the Japan segment.

3 OPERATING PROFIT

The operating profit is stated after crediting and charging the following:

	2003 HK$'000	2002 HK$'000
Crediting		
Net exchange gains	**2,249**	–
Gain on disposal of fixed assets	**391**	1,862
Charging		
Auditors' remuneration	**1,243**	1,119
Amortisation of goodwill (included in administrative expenses)	**1,590**	392
Depreciation:		
Owned fixed assets	**45,143**	42,158
Fixed assets under finance leases	**58**	1,757
Staff costs (excluding Directors' remuneration – Note 9)	**90,746**	78,959
Operating lease rentals in respect of land and buildings	**4,996**	1,255
Net exchange losses	**–**	249

4 FINANCE COSTS

	2003 HK$'000	2002 HK$'000
Interest on loans from banks and financial institutions and overdrafts	**11,893**	16,638
Interest elements of finance leases	**720**	218
Arrangement fees on bank loans	**1,593**	1,111
	14,206	17,967

5 TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profit for the year. Taxation on profits of subsidiaries in Mainland China has been calculated on the estimated assessable profit for the year at the rates of taxation as applicable to the local subsidiaries. No provision for taxation of the subsidiaries in Indonesia and the United States has been made as they have tax losses available to be carried forward as at 31 March 2003.

The amount of taxation charged to the consolidated profit and loss account represents:

	2003 **HK$'000**	2002 HK$'000
Hong Kong profits tax		
– current	**2,510**	1,710
– (over)/underprovision in prior years	**(409)**	75
– deferred taxation (Note 23(c))	**1,260**	(743)
Mainland China income tax		
– current	**3,192**	2,466
– overprovision in prior years	**(479)**	(2,808)
	6,074	700

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$11,638,000 (2002: HK$6,113,000), including dividend from a subsidiary of HK$10,000,000 (2002: HK$5,000,000).

7 DIVIDENDS

	2003 HK$'000	2002 HK$'000
Ordinary shares		
Interim, paid on 23 January 2003, of HK0.25 cents (2002: HK0.25 cents) per ordinary share	**1,036**	1,035
Final, proposed, of HK0.75 cents (2002: HK0.5 cents) per ordinary share (Note (a))	**3,108**	2,072
Preference shares (Note (b))		
Paid on 30 January, 2003 of HK$4,333 (2002: Nil) per preference share	**173**	–
Paid on 20 September 2002, of HK$12,928 (2002: HK$17,463) per preference share	**517**	698
Final, proposed, of HK$13,000 (2002: payable of HK$17,367) per preference share	**520**	695
	5,354	4,500

Notes:

(a) At a meeting held on 22 July 2003, the Directors declared a final dividend of HK0.75 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in the accounts, but will be reflected as an appropriation of the retained profits for the year ending 31 March 2004.

(b) Pursuant to the amendments to the rights of the preference shares on 18 July 2002, the holder of preference shares will receive dividends equivalent to those for the ordinary shares, which amounts shall be determined by the number of ordinary shares issuable on conversion of the preference shares and the amounts of dividend payable for one ordinary share. Before the amendments, the preference shares carried a fixed cumulative cash dividend at the rate of 4.5% per annum.

(c) The previous recorded final ordinary share dividend proposed and declared after the balance sheet date but accrued in the accounts for the year ended 31 March 2001 was HK$1,035,000. Under SSAP 9 (revised), this has been written back against opening retained profits at 1 April 2001 and was charged to retained profits in the year in which it was proposed (Note 23).

8 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to shareholders of HK$32,543,000 (2002: HK$31,211,000) less dividends related to preference shares of HK$1,210,000 (2002: HK$1,393,000). The calculation of diluted earnings per share is based on the Group's profit attributable to shareholders of HK$32,543,000 (2002: HK$31,211,000).

The basic earnings per share is based on the weighted average number of 414,366,667 (2002: 414,133,333) ordinary shares in issue during the year. The diluted earnings per share is based on 414,366,667 (2002: 414,133,333) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus (a) the weighted average number of 69,333,333 (2002: 68,800,000) ordinary shares deemed to be issued at a consideration of HK$0.45 per ordinary share assuming all outstanding preference shares had been converted, and (b) the weighted average number of 124,000 (2002: nil) ordinary shares deemed to be issued at no consideration if all outstanding share options have been exercised. In 2002, the outstanding share options were not included in the calculation of the diluted earnings per share as the exercise of these share options at the time would have an anti-dilutive effect.

9 STAFF COSTS

Staff costs excluding Directors' remuneration comprise:

	2003 HK$'000	2002 HK$'000
Wages and salaries	**82,151**	69,112
Termination benefits	**–**	1,189
Other staff benefits	**5,889**	5,961
Pension costs – defined contribution plans	**2,052**	2,697
Provision for long service payments (Note 23(d))	**654**	–
	90,746	78,959

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to the Directors of the Company during the year are as follows:

	2003 HK$'000	2002 HK$'000
Fees	180	180
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	6,054	5,450
Discretionary bonuses	–	640
Provident fund scheme contributions for Directors	81	80
	6,315	6,350

Directors' fees disclosed above include HK$180,000 (2002: HK$180,000) payable to the Independent Non-executive Directors.

No Directors have waived their emoluments in respect of the years ended 31 March 2003 and 2002.

Certain Directors have been granted options to acquire shares in the Company under the share option scheme approved by the shareholders of the Company on 8 September 1997 (the "Old Scheme"). Details of the share options granted and exercised are set out in Note 20.

The emoluments of the Directors fell within the bands as set out below. The emoluments represent the amount paid to or receivable by the Directors of the Company in the respective financial years and do not include the benefits derived or to be derived from the share options granted under the Old Scheme.

	2003	2002
Nil – HK$1,000,000	6	5
HK$1,000,001 – HK$1,500,000	2	1
HK$2,000,001 – HK$2,500,000	1	2
	9	8

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2002: three) Directors whose emoluments are disclosed in the analysis presented above. The emoluments payable to the remaining two (2002: two) individuals during the year are as follows:

	2003 HK$'000	2002 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**1,208**	1,420
Provident fund scheme contributions	**64**	64
	1,272	1,484

During the years ended 31 March 2003 and 2002, neither of the two individuals was granted share options under the Old Scheme to acquire ordinary shares in the Company.

During the year ended 31 March 2003, a total of 200,000 options (2002: 400,000) were exercised by afore-mentioned two highest paid individuals.

The emoluments of the afore-mentioned two (2002: two) highest paid individuals fell within the band of Nil to HK$1,000,000 for both years. The emoluments represent the amount paid to or receivable by the individuals in the respective financial years and do not include the benefits derived or to be derived from the share options granted under the Old Scheme.

11 PROVIDENT FUND SCHEME ARRANGEMENTS

The Group has two provident fund scheme arrangements for its Hong Kong employees: (a) the ORSO Scheme and (b) the MPF Scheme.

The ORSO Scheme has been granted an exemption from registration for MPF purposes. Under the ORSO Scheme, contributions of both the Group and employees are calculated at 5% of the monthly salary of the employees. The employees are entitled to all the Group's contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years' service. The forfeited contributions are to be used to reduce the Group's contributions.

11 PROVIDENT FUND SCHEME ARRANGEMENTS (continued)

Under the MPF Scheme, contributions amounting to 5% of the employee's relevant income, as defined in the MPF Ordinance, up to a maximum of HK$1,000 are respectively made by the Group and the employee. The contributions are fully and immediately vested in the employee as accrued benefits once they are paid to the approved trustee of the MPF Scheme.

The Group contributes to certain defined contribution schemes for its employees in Mainland China, Indonesia and the United States. Contribution are made at a certain percentage of the basic salary of employees.

The total amount of retirement benefit costs charged to the Group's profit and loss account for the year ended 31 March 2003 was HK$2,052,000 (2002: HK$2,697,000).

At 31 March 2003 and 2002 no forfeited contributions are available to offset future contributions of the Group to the ORSO Scheme. The unvested benefits so utilised under the ORSO Scheme during the year ender 31 March 2003 was HK$287,000 (2002: HK$445,000)

12 GOODWILL

	Group	
	2003	2002
	HK$'000	HK$'000
At 1 April	**23,145**	–
Addition (Note)	**951**	23,537
Amortisation	**(1,590)**	(392)
At 31 March	**22,506**	23,145
Representing:		
Cost	**24,488**	23,537
Accumulated amortisation	**(1,982)**	(392)
Net book amount	**22,506**	23,145

Note:

During the year, the Group acquired the remaining 40% of the equity interest in Kid Galaxy Corporation for a cash consideration of HK$9,750,000 from the minority shareholder. The consideration represents HK$9,288,000 paid for the amount due by Kid Galaxy Corporation to that minority shareholder and HK$462,000 for the 40% equity interest. Pursuant to the acquisition, Kid Galaxy Corporation becomes a wholly-owned subsidiary of the Group.

13 FIXED ASSETS – GROUP

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
Cost or valuation							
At 1 April 2002	118,307	82,602	123,035	25,860	5,251	105,393	460,448
Additions, at cost	–	8,165	25,504	1,005	1,113	11,404	47,191
Disposals	(27,159)	–	–	(228)	–	–	(27,387)
Exchange adjustment	301	–	522	28	8	–	859
At 31 March 2003	91,449	90,767	149,061	26,665	6,372	116,797	481,111
Accumulated depreciation							
At 1 April 2002	3,063	17,109	93,052	15,923	4,392	45,504	179,043
Charge for the year	2,790	5,030	11,528	3,346	393	22,114	45,201
Disposals	(841)	–	–	(228)	–	–	(1,069)
Exchange adjustment	61	–	1	22	7	–	91
At 31 March 2003	5,073	22,139	104,581	19,063	4,792	67,618	223,266
Net book value							
At 31 March 2003	86,376	68,628	44,480	7,602	1,580	49,179	257,845
At 31 March 2002	115,244	65,493	29,983	9,937	859	59,889	281,405

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

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
At cost	7,949	90,767	149,061	26,665	6,372	116,797	397,611
At 2001 professional valuation	83,500	–	–	–	–	–	83,500
	91,449	90,767	149,061	26,665	6,372	116,797	481,111

13 FIXED ASSETS – GROUP (continued)

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

	Group	
	2003 HK$'000	2002 HK$'000
(a) In Hong Kong, held on leases of between 10 and 50 years	**16,608**	20,286
(b) Outside Hong Kong, held on leases of between 10 and 50 years	**69,768**	94,958
	86,376	115,244

The leasehold land and buildings were respectively revalued at 31 March 2001 by RHL Appraisal Ltd. and Satyatama Graha Tara, independent firms of professional valuers, on the basis of their open market value in existing use. Their carrying amount would have been HK$72,877,000 (2002: HK$76,879,000) had they been stated at cost less accumulated depreciation.

At 31 March 2003, the net book value of fixed assets held by the Group under finance leases amounted to HK$221,000 (2002: HK$4,468,000).

At 31 March 2003, no fixed assets were pledged. At 31 March 2002, a leasehold commercial building in Hong Kong, certain plant and machinery and motor vehicles of the Group with an aggregate carrying value of HK$15,190,000, HK$5,594,000 and HK$368,000, respectively, were pledged to certain banks to secure general banking facilities granted to the Group.

During the year, the Group disposed of certain factory premises in Mainland China with an original cost of HK$23,759,000 back to the original owner. The property was purchased in previous year from a third party subject to obtaining the relevant building certificates and land use rights certificates for the property from the relevant authorities. In view of that it was unable to obtain aforesaid documents within the time specified, the Group agreed with that third party during the year to cancel the transaction. The vendor repaid the full amount of consideration previously paid by the Group. Pursuant to the arrangement, the Group continued to lease the factory premises at a monthly rent of RMB273,000 (HK$255,000) for a period of ten years expiring in 2010.

14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2003 HK$'000	2002 HK$'000
Unlisted investments, at cost	**115,801**	115,801
Due from a subsidiary (Note (a))	**333,370**	286,394
	449,171	402,195

14 INVESTMENTS IN SUBSIDIARIES (continued)

(a) The amount is due from a wholly-owned subsidiary. It is unsecured and will not be demanded for repayment within the next twelve months from 31 March 2003. Out of the total amount, HK$127,500,000 (2002: HK$150,000,000) is interest bearing at Hong Kong Interbank Offering Rate plus 2% per annum, HK$72,500,000 (2002: Nil) at Hong Kong Interbank Offering Rate plus 1.25% per annum, while the remaining balance is interest-free.

(b) Particulars of the subsidiaries of the Company as at 31 March 2003 are as follows:

Name of company	Country/place of incorporation/ operations	Particulars of issued share capital/ registered capital	Effective percentage holding	Nature of business
Shares held directly:				
Lung Cheong (BVI) Holdings Limited	British Virgin Islands	Ordinary US$130,660	100	Investment holding
Shares/investments held indirectly:				
Dongguan Lung Cheong Plastic Products Co., Ltd.**	Mainland China	HK$6,500,000	100	Manufacture of toys
Dongguan Lung Cheong Toys Co., Limited**	Mainland China	HK$124,030,000	100	Manufacture of toys
Dongguan Standard Tooling and Products Co., Ltd.**	Mainland China	HK$7,700,000	100	Manufacture of moulds
LC Technology Limited *	Hong Kong	Ordinary HK$10,000	100	Trading of consumer electronics and interactive products
Lung Cheong Group Limited *	Hong Kong	Deferred HK$10,000 Ordinary HK$2	100	Trading of toys
Kid Galaxy Limited* (formerly known as Lung Cheong Resources Limited)	Hong Kong	Ordinary HK$10,000	100	Trading of toys
Lung Cheong Overseas Corporation	British Virgin Islands	Ordinary US$50,000	100	Trading of toys

14 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Country/place of incorporation/ operations	Particulars of issued share capital/ registered capital	Effective percentage holding	Nature of business
Shares/investments held indirectly: (continued)				
Lung Cheong Toys Limited	Hong Kong	Deferred HK$1,000,000 Ordinary HK$2	100	Trading of toys
PT. Lung Cheong Brothers Industrial *	Republic of Indonesia	Rupiah 5,728,000,000	60	Manufacture and sales of electronic products and toys
Standard Tooling and Products Co., Limited *	Hong Kong	Ordinary HK$3,000,000	100	Engineering services and mould trading
Fericle Holdings Limited *	British Virgin Islands	Ordinary US$1	100	Investment holding (also refer to Note (15))
Kid Galaxy Corporation *	British Virgin Islands	Ordinary US$10	100	Trading of toys
Kid Galaxy Inc. *	United States	Ordinary US$100,010	100	Trading of toys
LC Entertainment Limited* (formerly known as Statcard Entertainment (Asia Pacific) Ltd.)	British Virgin Islands	Ordinary US$1	100	Development of entertainment properties
Favour Million Company Limited *	Hong Kong	Ordinary HK$2	100	Investment holding

* Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 19% of the Group's net assets.

** These companies are wholly foreign-owned enterprises established in Mainland China. They adopt 31 December as their accounting year end date pursuant to the local regulations. Accordingly, the management accounts of these subsidiaries as at and for the twelve months ended 31 March have been incorporated in the group accounts after making adjustments as the Directors considered appropriate for compliance with accounting principles generally accepted in Hong Kong.

15 OTHER INVESTMENTS

	Group	
	2003	2002
	HK$'000	HK$'000
At cost		
Unlisted shares, overseas	**2,349**	7,379
Club memberships	**2,738**	2,738
Investments in life insurance contracts (Note)	**28,204**	–
	33,291	10,117

Note:

During the year, the Group purchased separate insurance contracts for each of Mr. Leung Lun, Mr. Leung Chung Ming and Mr. Wong Tze On, Andy, all are the Group's Executive Directors. Particulars of the insurance contracts are as follows:

Insurance owner	:	Fericle Holdings Limited, a subsidiary of the Company
Total insured amounts	:	US$25 million (HK$195 million)
Commencement date		28 October 2002
Beneficiary at time of the death of the insured	:	For each of the policies, 50% to Fericle Holdings Limited and 50% to the beneficiary of the respective insured
Maturity date	:	Each of the contracts will mature on the date when the insured reaches the age of 100 or death of the insured, whichever is earlier
Total initial premium	:	US$3,753,000 (HK$29,277,000)
Cash surrender value as at 31 March 2003	:	US$3,616,000 (HK$28,204,000)

The total initial premium paid is financed by a long-term bank loan of the same amount. The loan is repayable three years after the date of drawdown of the loan, interest-bearing at 1% plus the bank's cost of fund and secured by the three life insurance policies which have a combined death benefit of US$25 million (HK$195 million) and a corporate guarantee executed by the Company.

The amount of cash surrender value of the insurance contracts which the Group can realise at the balance sheet date is treated as an asset and the change in cash surrender value during the year is an adjustment to the premium paid and is recognised as an expense or income in the profit and loss account.

A portion of the amount recognised as an expense in the current year's accounts is regarded as benefits-in -kind provided to the Directors and has been included as such in the Directors' emoluments disclosed in Note 10.

16 INVENTORIES

	Group	
	2003	2002
	HK$'000	HK$'000
At cost		
Raw materials	**103,517**	105,459
Work-in-progress	**28,861**	40,505
Finished goods	**50,884**	37,370
	183,262	183,334

17 TRADE RECEIVABLES

At 31 March 2003, the ageing analysis of the trade receivables was as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
0-30 days	**39,253**	61,457
31-60 days	**19,431**	18,078
61-90 days	**20,406**	10,672
Over 90 days	**45,158**	15,925
	124,248	106,132

The Group's sales are on letter of credit or open account terms. Credit terms are reviewed on a regular basis. The normal trade term is between 30 to 90 days but business partners with strong financial background may be offered longer credit terms.

18 AMOUNT DUE FROM A SUBSIDIARY

The amount represents interim dividend receivable from the subsidiary and the amount is unsecured, interest-free and repayable on demand.

19 TRADE PAYABLES AND TRADE DEPOSITS RECEIVED

	Group	
	2003	2002
	HK$'000	HK$'000
Trade payables (Note)	**47,857**	43,786
Trade deposits received	**1,980**	7,580
	49,837	51,366

Note:

At 31 March 2003, the ageing analysis of the trade payables was as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
0-30 days	**16,993**	16,310
31-60 days	**12,235**	9,405
61-90 days	**10,817**	9,668
Over 90 days	**7,812**	8,403
	47,857	43,786

20 SHARE CAPITAL

	Authorised			
	Convertible cumulative redeemable preference shares of US$100,000 each		Ordinary shares of HK$0.10 each	
	No. of shares	US$'000	No. of shares (thousands)	HK$'000
At 31 March 2002 and 2003	40	4,000	1,000,000	100,000

	Issued and fully paid			
	Convertible cumulative redeemable preference shares of US$100,000 each		Ordinary shares of HK$0.10 each	
	No. of shares	HK$'000 (equivalent)	No. of shares (thousands)	HK$'000
At 31 March 2001	40	30,960	413,800	41,380
Exercise of share options	–	–	400	40
At 31 March 2002	40	30,960	414,200	41,420
Exercise of share options	–	–	200	20
At 31 March 2003	40	30,960	414,400	41,440

(a) There are no movements in the authorised share capital of the Company during the year.

(b) During the year, 200,000 shares of HK$0.1 each were issued at HK$0.675 per share as a result of the exercise of share options of the Company.

(c) On 18 July 2002 the Company and the holder of all the existing preference shares agreed to amend certain rights attached to the preference shares as follows:

(i) Term

The preference shares will no longer have a maturity date. Accordingly, the preference shares will remain as equity capital of the Company in their existing form.

20 SHARE CAPITAL (continued)

(ii) Dividend

The dividend rate has been amended from a fixed cumulative cash dividend at the rate of 4.5% per annum plus additional accumulated cash dividend calculated with the reference to the dividend yield of the ordinary shares to a rate equivalent to that for the ordinary shares, which amount shall be determined by the number of ordinary shares issuable on conversion of the preference shares and the amount of dividend payable for one ordinary share.

(iii) Redemption

Pursuant to the amendments, the Company is not obliged to redeem, but has the right to do so on terms as set out in the agreement including, inter alia, the following:

- the Company shall have the right to redeem all or part of the outstanding preference shares in principal amount of US$500,000 or multiples thereof; and
- the amount payable on redemption shall be an amount equal to the aggregate principal amount of such preference shares with a premium of 15% per annum (compounded annually) over the principal amount of such preference shares for the period commencing on the issue date and ending on the date of the amendment (the "Amendment Date") (the "Accumulated Sum") together with a premium of (i) 7.5% on the Accumulated Sum if the redemption date shall be a date on or before the first anniversary of the Amendment Date; or (ii) 15% on the Accumulated Sum if the redemption date shall be a date after the first anniversary of the Amendment Date;

Pursuant to the amendments, the holder of the preference shares had the right to require the Company to redeem all but not part of the preference shares in the event of the occurrence of certain early redemption events as stipulated in the agreement.

(iv) Conversion

Pursuant to the amendments, the Company will no longer have the right to convert the preference shares. Accordingly, conversion of the preference shares, if any, will be at the discretion of the holder of the preference shares only.

(v) Pre-emptive rights

Pursuant to the amendments, the pre-emptive rights granted to the holder of the preference shares in respect of the subscription for all or such part of the new ordinary shares or securities of the Company will be granted only up to the third anniversary of the date of the amendments.

20 SHARE CAPITAL (continued)

(d) On 8 September 1997, a share option scheme (the "Old Scheme") was approved by the shareholders of the Company under which its Directors may, at their discretion, invite employees of the Group including any Executive Directors to take up options to subscribe for ordinary shares of HK$0.1 each in the Company subject to the terms and conditions stipulated therein.

On 3 September 2002, the shareholders of the Company approved the termination of the Old Scheme and the adoption of a new scheme ("2002 Scheme") as a result of the amendments of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Upon the termination of the Old Scheme, no further options can be granted thereunder but in all other respects, the provisions of the Old Scheme shall remain in force and all share options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

Under the 2002 Scheme, share options can be exercised at any time during the periods to be determined and notified by the Directors of the Company to the grantees at the time of making offers to grant share options to them, provided that such periods shall not exceed the period of ten years from the date of grant. The maximum number of shares available for issue under the 2002 Scheme is 28,940,000, representing approximately 7% of the issued share capital of the Company as at the date of this report. The subscription price for the shares under the 2002 Scheme shall be a price determined by the Directors at its discretion, provided that it shall not less than the higher of (i) the closing price of the shares stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on the date of grant and (ii) the average closing price of the shares stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of share options. A nominal consideration of HK$1 is payable for each of the share options granted.

20 SHARE CAPITAL (continued)

Movement in the number of share options outstanding during the year are as follows:

	Number of options 2003	2002
At the beginning of the year	12,100,000	13,500,000
Exercised (Note (i))	(200,000)	(400,000)
Lapsed	–	(1,000,000)
At the end of the year (Note (ii))	11,900,000	12,100,000
Option vested at 31 March	6,900,000	4,600,000

(i) Details of share options exercised during the year are as follows:

Exercise date	Exercise price HK$	Market value per share at exercise date HK$	Proceeds received HK$
28 May 2002	0.675	0.84	135,000

(ii) Share options outstanding at the end of the year have the following terms:

Expiry date	Exercise price HK$	Number of options 2003	2002
Directors			
30 September 2005	0.675	10,000,000	10,000,000
Other employees			
30 September 2005	0.675	1,900,000	2,100,000
		11,900,000	12,100,000

21 OTHER RESERVES

	Group					Company
	Share premium	Exchange fluctuation reserve	Capital reserve (Note (b))	Property revaluation reserve	Total	Share premium (Note (a))
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2002	88,825	(48,783)	25,061	17,268	82,371	176,126
Exchange difference arising on translation of accounts of overseas subsidiaries	–	(1,128)	–	–	(1,128)	–
Realisation of property revaluation reserve upon disposal of leasehold land and buildings	–	–	–	(1,082)	(1,082)	–
Transfer to capital reserve	–	–	1,505	–	1,505	–
Exercise of share options	115	–	–	–	115	115
At 31 March 2003	88,940	(49,911)	26,566	16,186	81,781	176,241
At 1 April 2001	88,595	(49,133)	22,138	17,268	78,868	175,896
Exchange difference arising on translation of accounts of overseas subsidiaries	–	350	–	–	350	–
Transfer to capital reserve	–	–	2,923	–	2,923	–
Exercise of share options	230	–	–	–	230	230
At 31 March 2002	88,825	(48,783)	25,061	17,268	82,371	176,126

(a) Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions and dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distributions or dividend payments, the Company is able to pay its debts as they fall due in the ordinary course of business.

(b) The capital reserve represents transfers made to the statutory reserve fund set up by subsidiaries, which are wholly foreign-owned enterprises in Mainland China, pursuant to the local regulations. According to the regulations, the reserve fund may be used for making up losses, if any, and increasing capital.

22 RETAINED PROFITS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 April, as previously reported	**176,111**	150,251	**5,300**	6,615
Effect of adopting SSAP 9 (revised)				
– dividend proposed (Note (a))	**–**	1,035	**–**	1,035
– dividend income (Note (b))	**–**	–	**–**	(5,000)
At 1 April, as restated	**176,111**	151,286	**5,300**	2,650
Profit for the year	**32,543**	31,211	**11,638**	6,113
Transfer to capital reserve	**(1,505)**	(2,923)	**–**	–
Realisation of property revaluation reserve upon disposal of leasehold land and buildings	**1,082**	–	**–**	–
Dividends	**(3,798)**	(3,463)	**(3,798)**	(3,463)
At 31 March	**204,433**	176,111	**13,140**	5,300
Representing:				
Final dividends proposed	**3,628**	2,072	**3,628**	2,072
Other	**200,805**	174,039	**9,512**	3,228
At 31 March	**204,433**	176,111	**13,140**	5,300

Notes:

(a) The previously recorded final ordinary share dividends proposed and declared after the balance sheet date but accrued in the accounts for the year ended 31 March 2001 was HK$1,035,000. Under SSAP 9 (revised). This has been written back against opening retained profits at 1 April 2001 and is now charged to the retained profits in the year in which it was proposed.

(b) The previously recorded final ordinary dividends receivable from subsidiaries proposed and declared after the balance sheet date but recorded as assets in the accounts for the years ended 31 March 2001 was HK$5,000,000. Under SSAP 9 (revised), this has been written back against opening retained profits at 1 April 2001 and was credited to the retained profits in the year in which they were proposed.

23 LONG-TERM LIABILITIES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans from banks and financial institutions (Note (a))				
Wholly repayable within five years	**254,102**	196,377	**200,000**	150,000
Not wholly repayable within five years	**–**	9,886	**–**	–
	254,102	206,263	**200,000**	150,000
Obligations under finance leases wholly repayable within five years (Note (b))	**236**	1,946	**–**	–
Deferred taxation (Note (c))	**2,096**	835	**272**	–
Provision for long service payments (Note (d))	**641**	–	**–**	–
	257,075	209,044	**200,272**	150,000
Current portion included in current liabilities	**(114,881)**	(66,340)	**(90,000)**	(22,500)
	142,194	142,704	**110,272**	127,500

23 LONG-TERM LIABILITIES (continued)

(a) At 31 March 2003, the loans from banks and financial institutions were repayable as follows:

	Group		Company	
	2003 HK$'000	2002 HK$'000	**2003 HK$'000**	2002 HK$'000
Within one year	**114,826**	64,628	**90,000**	22,500
In the second year	**110,000**	96,824	**110,000**	90,000
In the third to fifth year	**29,276**	42,183	**–**	37,500
More than five years	**–**	2,628	**–**	–
	254,102	206,263	**200,000**	150,000

(b) At 31 March 2003, the Group's finance lease liabilities were repayable as follows:

	Group	
	2003 HK$'000	2002 HK$'000
Within one year	**67**	1,772
In the second year	**67**	67
In the third to fifth year	**131**	195
	265	2,034
Future finance charges on finance leases	**(29)**	(88)
Present value of finance lease liabilities	**236**	1,946

The present value of finance lease liabilities is as follows:

	Group	
	2003 HK$'000	2002 HK$'000
Within one year	**55**	1,712
In the second year	**58**	55
In the third to fifth year	**123**	179
	236	1,946

23 LONG-TERM LIABILITIES (continued)

(c) Deferred taxation

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 April	**836**	1,578	**–**	–
Transfer from profit and loss account (Note 5)	**1,260**	(743)	**272**	–
At 31 March	**2,096**	835	**272**	–
Provided in respect of:				
Accelerated depreciation allowances	**2,096**	835	**272**	–

No provision has been made for deferred tax liability of approximately HK$4 million in respect of timing differences relating to the surplus from the revaluation of certain leasehold land and buildings of the Group because management of the Group intends to operate these properties on a long-term basis.

(d) Provision for long service payments

Provision for long service payments is recognised based on the best estimate of the long service payments that are required to be made to the employees of the Group in respect of their services to date less any amount that would be expected to be met out of the Group's retirement benefit schemes.

	Group	
	2003	2002
	HK$'000	HK$'000
At 1 April	**–**	–
Transfer from profit and loss account (Note 9)	**654**	–
Less: payment for the year	**(13)**	–
At 31 March	**641**	–

24 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow/(outflow) from operations:

	Group	
	2003	2002
	HK$'000	HK$'000
Profit before taxation	**38,617**	31,911
Interest income	**(2,619)**	(1,933)
Interest expense	**11,893**	16,638
Arrangement fees on bank loans	**1,593**	1,111
Interest element of finance leases	**720**	218
Gain on disposal of fixed assets	**(391)**	(1,862)
Depreciation of owned fixed assets	**45,143**	42,158
Depreciation of fixed assets held under finance leases	**58**	1,757
Amortisation of goodwill	**1,590**	392
Insurance expense	**1,073**	–
Profit before taxation before working capital changes	**97,677**	90,390
Decrease/(increase) in inventories	**72**	(30,423)
Increase in trade receivables	**(18,116)**	(21,168)
(Increase)/decrease in other receivables, deposits and prepayments	**(2,512)**	21,652
Decrease in trade payables and trade deposits received	**(1,529)**	(6,466)
Decrease in other payables and accrued charges	**(12,541)**	(8,659)
Increase in provision for long service payments	**641**	–
Increase/(decrease) in trust receipt loans	**32,882**	(95,470)
Net cash inflow/(outflow) from operations	**96,574**	(50,144)

24 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of a business

	Group	
	2003	2002
	HK$'000	HK$'000
Net assets acquired		
Fixed assets	–	1,110
Inventories	–	6,333
Trade receivables	–	3,695
Other receivables, deposits and prepayments	–	1,532
Trade payables	–	(10,331)
Other payables and accrued charges	–	(1,178)
	–	1,161
Goodwill	–	23,537
	–	24,698
Satisfied by		
Cash	–	24,698

24 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Analysis of changes in financing during the year – Group

	Loans from banks and financial institutions		Obligations under finance leases		Share capital (including share premium)		Minority interests	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 April	**219,263**	63,988	**1,946**	4,495	**161,205**	160,935	**4,644**	–
New bank loans raised	**126,777**	172,896	**–**	–	**–**	–	**–**	–
Repayment of loans borrowed from banks and financial institutions	**(76,938)**	(17,621)	**–**	–	**–**	–	**–**	–
Payment of capital element of finance leases	**–**	–	**(1,710)**	(2,838)	**–**	–	**–**	–
Exercise of share options	**–**	–	**–**	–	**135**	270	**–**	–
Inception of finance leases	**–**	–	**–**	289	**–**	–	**–**	–
Contribution from minority shareholder	**–**	–	**–**	–	**–**	–	**4,644**	4,644
Payment to minority shareholder	**–**	–	**–**	–	**–**	–	**(9,288)**	–
At 31 March	**269,102**	219,263	**236**	1,946	**161,340**	161,205	**–**	4,644

(d) Analysis of cash and cash equivalents

	Group	
	2003	2002
	HK$'000	HK$'000
Bank balances and cash	**140,252**	68,750

Included in bank balances and cash of the Group as at 31 March 2003 were HK$78,554,000 (2002: HK$36,619,000) which were denominated in Renminbi. Renminbi is not a freely convertible currency.

25 CONTINGENT LIABILITIES

As at 31 March 2003, the Group had contingent liabilities not provided for in the accounts as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Issued letters of credit	**7,262**	35,753
Bills of exchange with recourse	**4,470**	–
	11,732	35,753

The Company has executed guarantees with respect to banking facilities made available to certain of its subsidiaries. At 31 March 2003, such facilities granted amounted in total to approximately HK$608,276,000 (2002: HK$600,629,000).

26 BANKING AND OTHER FACILITIES

As at 31 March 2003, the Group's banking and other facilities are as follows:

(1) There was an outstanding bank loan of US$3,753,000 (HK$29,277,000) which was borrowed to finance the single lump sum payments for premiums of life insurance policies as mentioned in Note 15. The bank loan is secured by the three life insurance policies with a combined death benefit of US$25 million (HK$195 million) and a corporate guarantee executed by the Company; and

(2) Other general banking facilities of HK$328,097,000 utilised for working capital purposes are supported by a corporate guarantee executed by the Company.

27 COMMITMENTS

At 31 March 2003, the Group had future aggregate minimum lease payments under noncancellable operating leases in respect of land and buildings as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Not later than one year	**6,066**	2,580
Later than one year and not later than five years	**14,414**	1,115
Over five years	**14,304**	–
	34,784	3,695

The Company did not have any significant commitments as at 31 March 2003 and 2002.

28 ULTIMATE HOLDING COMPANY

The Directors regard Rare Diamond Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

29 COMPARATIVE FIGURES

In prior years, trust receipt loans and short-term bank loans with maturity less than three months were treated as cash and cash equivalents. Under SSAP 15 (revised), their movements are classified as cash flows from operating and financing activities respectively.

30 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 22 July 2003.