1. GENERAL INFORMATION

The Company is incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in design, marketing, manufacture and trading of consumer electronic products, provision of sub-contracting services, property investment and development. Details of the principal activities of the Company's subsidiaries are set out in note 14 to the financial statements.

The directors consider the ultimate holding company to be Sino-i Technology Limited ("Sino-i") (formerly Sino-i.com Limited), a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

2. BASIS OF PREPARATION

As at 31 March 2003, the Group had net current liabilities of HK$587,357,000. Notwithstanding this, the financial statements have been prepared on a going concern basis on the assumption that the Group will continue to operate as a going concern. In the opinion of the directors, the Group will have sufficient working capital to continue its operations in the coming year, after taking into consideration the following:

The Group is currently negotiating with its bankers and a creditor to extend and re-schedule the repayment terms of certain bank loans and borrowing which either have been overdue for payment at the balance sheet date or would be due for repayment in the coming year. The Group is also in the course of discussion with some of its bankers to apply for additional credit facilities. The directors anticipate that the Group will be able to maintain the existing credit facilities and also obtain additional credit facilities from its bankers.

The directors believe that the Group's bankers and creditor will continue to support the Group and are of the opinion that, in the light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the financial statements have been prepared on a going concern basis.

Should the Group be unable to generate sufficient cash flows and/or secure the support of its bankers and creditor, the Group might not be able to continue in business as a going concern. Accordingly, 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 non-current liabilities as current assets and current liabilities respectively.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements on pages 18 to 65 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

(a) Adoption of new/revised SSAPs

In the current year, the Group has adopted, for the first time, the following revised or new SSAPs.

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 33	Discontinuing operations
SSAP 34	Employee benefits

Adoption of these revised or new SSAPs has led to a number of changes in the Group's accounting policies. In addition, the revised or new SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. The adoption of these revised or new SSAPs has resulted in the following changes to the Group's accounting polices that have affected the amounts reported for the current and prior years.

SSAP 1 (Revised) – Presentation of financial statements

In adopting SSAP 1 (Revised), the Group is required to present a statement of changes in equity instead of a statement of recognised gains and losses. Comparative amounts have been restated to achieve a consistent presentation.

SSAP 11 (Revised) – Foreign currency translation

SSAP 11 is revised to eliminate the option to translate the income statement of a foreign enterprise at the closing rate when preparing consolidated financial statements. The income statement of a foreign enterprise is now required to be translated at the average rate for the period. Although this is a change in accounting policy, the translation of the income statements of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the results of the Group for the current or prior year.

SSAP 15 (Revised) – Cash flow statements

In adopting SSAP 15 (Revised), the Group requires a cash flow statement to report cash flows during the period classified by operating, investing and financing activities only. For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand, demand deposits, short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Comparative amounts have been restated to achieve a consistent presentation.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Adoption of new/revised SSAPs (Continued)

SSAP 33 – Discontinuing operations

SSAP 33 prescribes the basis for reporting information about discontinuing operations and has resulted in certain additional disclosures, which are included in note 7 to the financial statements.

SSAP 34 – Employee benefits

Employee entitlements

In adopting SSAP 34, employee entitlements to annual leave and long service payment are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment 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.

The adoption of SSAP 34 has not had any material impact on the financial statements and no prior year adjustment is required.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year. All material intercompany transactions and balances within the Group are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The gain or loss on 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 goodwill or negative goodwill which was not previously charged or recognised in the consolidated income statement.

The financial statements also include the Group's share of post-acquisition results and reserves of its associates and jointly controlled entities.

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

(c) Subsidiaries

Subsidiaries are those enterprises controlled by the Company.

Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Associates

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

The results of the associates are accounted for by the Group using the equity method of accounting. The Group's interests in associates are stated at its share of net assets of the associates. The Company's investments in associates are stated at cost less impairment losses. The results of associates are accounted for by the Company on the basis of dividends received or receivable at the balance sheet date.

An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates except where unrealised losses provide evidence of an impairment of the asset transferred.

(e) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's interest in jointly controlled entities is recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

(f) Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired.

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 for a period of not exceeding twenty years.

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 the 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 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Goodwill (Continued)

Negative goodwill
Negative goodwill arising on acquisition represents the excess of the fair value of the identifiable assets and liabilities acquired over the cost of acquisition.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair value of the non-monetary assets acquired, is recognised as income on a systematic basis over the remaining weighted average useful life of those acquired depreciable/amortisable assets. Negative goodwill in excess of the fair value of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

(g) Property, plant and equipment

(i) *Depreciation and amortisation*
Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Moulds and tools	25%–33%
Machinery and equipment	25%–33%
Furniture and fixtures	20%–33%
Motor vehicles	25%–33%
Computers	25%–33%
Buildings	Over the shorter of the terms of the leases or estimated useful lives. The principal annual rates used for this purpose range from 1.7% to 4%.
Leasehold improvements	Over the shorter of the terms of the leases or estimated useful lives. The principal annual rates used for this purpose range from 1.7% to 4%.

Leasehold land is amortised over the remaining unexpired periods of the leases, including the renewal periods or their estimated useful lives to the Group, whichever are shorter. The principal annual rate used for this purpose is 2.5%.

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

(ii) Measurement bases

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

Advantage has been taken of the transitional relief provided by SSAP 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 19 March 1993, and accordingly no further revaluation of these land and buildings is carried out. Prior to 19 March 1993, the surplus arising on the revaluation of these assets was credited to the property revaluation reserve.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement. Any revaluation surplus relating to the assets under disposal is transferred to retained profits/accumulated losses.

(h) Leases

(i) Finance leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets to the lessee. Assets acquired by way of finance leases are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the leases. The corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Finance charges implicit in the lease payments are charged to the income statement over the periods of the leases so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Land held for development

Land held for development is stated at cost less impairment losses. No depreciation and amortisation is provided on land held for development. Cost includes acquisition costs, development costs, borrowing costs capitalised in accordance with the Group's accounting policies and other direct costs attributable to the development.

(j) Property development projects

Interests in property development projects are stated at cost, which comprises development costs contributed towards the projects and other incidental costs, less impairment losses, if any. The results of the projects are recognised in the financial statements to the extent of distributions received.

(k) Product development costs

Costs incurred on projects in developing new products, including the respective cost of acquiring the rights to technical know-how for the production of the relevant new products, are capitalised and deferred only when the project is clearly defined, the costs are separately identifiable and there is reasonable certainty that the project is technically feasible and the outcome will be of commercial value. Product development costs which do not meet these criteria are expensed when incurred.

Product development costs are amortised, using the straight line method, over their estimated commercial lives of not more than three years commencing in the year when the product is put into commercial use. When the circumstances which have justified the deferral of the costs no longer apply, or are considered doubtful, the costs, to the extent to which they are considered to be irrecoverable, will be written off immediately to the income statement.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials computed using the weighted average method and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the actual or estimated selling price less all further costs of production and the estimated costs necessary to make the sale.

(m) Deferred tax/Future tax benefits

Deferred tax is provided, using the liability method, on all significant timing differences, other than those which are not expected to crystallise in the foreseeable future.

Future tax benefit is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

(n) Convertible notes

Convertible notes are stated at the aggregate amount of proceeds received from the issue. The direct issuing costs are taken to the income statement in the year of issue. In the event that the notes are converted, the amount recognised in respect of the shares issued upon conversion is the principal amount at which the liability of the notes is stated as at the date of conversion.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the relevant asset is carried at revalued amount under another SSAP, in which case the impairment losses is treated as a revaluation decrease under that SSAP.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at that date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the balance sheets of subsidiaries, associates and jointly controlled entities expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date and their income statements are translated at the average rates for the year. Gains and losses arising on exchange are dealt with as movement in exchange reserve.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(r) Borrowing costs

Borrowing costs are charged to the income statement in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition and development of properties or land which necessarily take a substantial period of time to complete.

(s) Cash and cash equivalents

Cash comprises cash on hand and demand deposits repayable on demand with any bank or other financial institution. Cash includes deposits denominated in foreign currencies.

Cash equivalents represent 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. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(t) Segment reporting

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

(u) 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.

(v) Recognition of revenue

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

Sub-contracting income is recognised when the agreed services are provided.

Interest income is recognised on a time proportion basis.

4. TURNOVER AND OTHER REVENUE

		2003 HK$'000	2002 HK$'000
(a)	**Turnover:**		
	Continuing operations		
	– Sale of goods	**64,032**	147,104
	– Sub-contracting income	**36,544**	64,648
	Discontinued operations		
	– Sale of goods	–	3,586
		100,576	215,338
(b)	**Other revenue:**		
	Interest income	**2,770**	316
	Exchange gain	**68**	1,011
	Negative goodwill recognised as income	**14,088**	10,566
	Gain on waiver of amount due to a creditor	–	4,989
	Gain on disposal of an associate	–	115
		16,926	16,997
	Total revenue	**117,502**	232,335

5. SEGMENT INFORMATION

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 other business segments.

In accordance with the Group's internal financial reporting policy, its segment information is presented by way of two segments format: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

Summary of details of the business segments are as follows:

(a) Consumer packaged electronics

(b) Electronic manufacturing services

(c) Property development

(d) The corporate and other segment comprises operations other than those as specified above

(e) Telecommunication products

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

There were no intersegment sales and transfers between segments.

5(a). BUSINESS SEGMENTS

The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 March 2003.

	Continuing operations								Discontinued operations			
	Consumer packaged electronics		Electronic manufacturing services		Property development		Others		Telecommunication products		Total	
	2003 HK$'000	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000
Segment revenue												
Sales to external customers	**64,032**	147,104	**36,544**	64,648	**–**	–	**–**	–	**–**	3,586	**100,576**	215,338
Segment results	**(15,618)**	(40,497)	**(5,248)**	(2,271)	**8,990**	4,580	**(482)**	–	**–**	(7,004)	**(12,358)**	(45,192)
Interest income											**2,770**	316
Gain on waiver of amount due to a creditor								4,989			**–**	4,989
Gain on disposal of an associate								115			**–**	115
Gain on deemed partial disposal of a subsidiary		13,663		6,004						333	**–**	20,000
Liabilities waived by unsecured creditors		81,350								8,429	**–**	89,779
Finance costs											**(22,947)**	(17,304)
Gain on disposal of a property development project					**20,000**						**20,000**	–
Gain on disposal of subsidiaries	**26,261**										**26,261**	–
Gain on disposal of a joint venture	**3,403**										**3,403**	–
Loss on disposal of a subsidiary					**(16,525)**						**(16,525)**	–
Share of loss of an associate					**(374)**	(403)					**(374)**	(403)
Profit before taxation											**230**	52,300
Taxation											**(40)**	(148)
Profit after taxation											**190**	52,152
Minority interests											**–**	–
Profit attributable to shareholders											**190**	52,152

5(a). BUSINESS SEGMENTS (Continued)

	Continuing operations								Discontinued operations			
	Consumer packaged electronics		Electronic manufacturing services		Property development		Others		Telecommunication products		Total	
	2003 HK$'000	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000
Segment assets	**37,817**	42,667	**113,374**	90,955	**3,301,369**	3,372,157	**2,558**	27,046	**379**	384	**3,455,497**	3,533,209
Interest in an associate	**–**	–	**–**	–	**209,223**	209,597	**–**	–	**–**	–	**209,223**	209,597
Total assets	**37,817**	42,667	**113,374**	90,955	**3,510,592**	3,581,754	**2,558**	27,046	**379**	384	**3,664,720**	3,742,806
Segment liabilities	**12,484**	20,556	**8,693**	13,359	**646,247**	358,212	**108,904**	73,804	**2,357**	2,357	**778,685**	468,288
Loan liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**521,844**	919,015
Total liabilities	**12,484**	20,556	**8,693**	13,359	**646,247**	358,212	**108,904**	73,804	**2,357**	2,357	**1,300,529**	1,387,303
Other segment information												
Capital expenditure	**1,807**	13,269	**26**	928	**63,619**	353,304	**–**	–	**–**	–	**65,452**	367,501
Depreciation	**6,515**	8,112	**5,009**	6,705	**24**	6	**1,351**	1,623	**–**	175	**12,899**	16,621
Amortization of product development costs	**3**	5,127	**–**	–	**–**	–	**–**	–	**–**	–	**3**	5,127
Amortization of goodwill	**–**	–	**–**	–	**93**	78	**–**	–	**–**	–	**93**	78
Negative goodwill recognised as income	**–**	–	**–**	–	**14,088**	10,566	**–**	–	**–**	–	**14,088**	10,566

5(b). GEOGRAPHICAL SEGMENTS

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

	Europe		United States of America/Canada		Asia		Total	
	2003 HK$'000	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000
Segment revenue								
Sales to external customers	**3,104**	31,261	**12,922**	77,954	**84,550**	106,123	**100,576**	215,338
Segment results	**(430)**	(14,471)	**(14,454)**	(21,240)	**2,526**	(9,481)	**(12,358)**	(45,192)

	United Kingdom/North America/ Europe		Hong Kong		People's Republic of China ("PRC"), other than Hong Kong		Total	
	2003 HK$'000	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000
Segment assets	**5,011**	10,966	**35,743**	59,131	**3,623,966**	3,672,709	**3,664,720**	3,742,806
Other segment information								
Capital expenditure	**70**	252	**1,737**	13,019	**63,645**	354,230	**65,452**	367,501

6(a). PROFIT/(LOSS) FROM OPERATIONS

	2003 HK$'000	2002 HK$'000
Profit/(Loss) from operations is arrived after charging:		
Amortisation of product development costs	**3**	5,127
Write-off of product development costs	**–**	917
Amortisation of goodwill	**93**	78
Auditors' remuneration	**1,205**	2,170
Cost of inventories recognised as expense	**44,253**	137,848
Cost of services provided	**31,755**	62,103
Depreciation on		
– owned property, plant and equipment	**12,838**	15,975
– leased property, plant and equipment	**61**	646
Impairment losses on land and buildings	**699**	–
Loss on disposal of property, plant and equipment	**12,916**	6,155
Operating lease charges on land and buildings	**613**	2,229
Provision for bad and doubtful debts	**4,868**	12,881
Redundancy cost	**554**	782
Staff costs (including directors' remuneration)	**13,720**	25,793

6(b). GAIN ON DEEMED PARTIAL DISPOSAL OF A SUBSIDIARY

Pursuant to a share placement agreement dated 31 July 2001, 20,000,000 shares of HK$1.00 each in Team Industrial Company Limited ("TIC"), a then wholly-owned subsidiary of the Company, were allotted and issued to Pacific Gloria Limited, an independent third party, at a cash consideration of HK$20,000,000. The shares issued represented 35% of the enlarged share capital and rank pari passu with the then existing shares of TIC. This transaction resulted in a gain on deemed partial disposal of a subsidiary of HK$20,000,000 in the previous year.

6(c). FINANCE COSTS

	2003 **HK$'000**	2002 HK$'000
Interest on convertible notes	**4,378**	6,125
Interest on bank loans and overdrafts	**64,646**	23,188
Interest on finance leases	**84**	148
Interest on other payables	**10,516**	–
Total interest	**79,624**	29,461
Less: Amount directly attributable to land held for development capitalised	**(56,677)**	(12,157)
	22,947	17,304

6(d). LIABILITIES WAIVED BY UNSECURED CREDITORS

During the year ended 31 March 2002, the Group entered into a Scheme of Arrangement with the unsecured creditors of Team Concepts Manufacturing Limited ("TCM"), a then wholly-owned subsidiary of the Company, pursuant to which the Group's liabilities due to these unsecured creditors were discharged by the following:

– payment of cash totaling HK$116,000;

– issue by the Company of 106,531,974 shares of HK$0.10 each in the Company, credited as fully paid at par; and

– issue by the Company of convertible debentures of an aggregate amount of HK$10,653,000 in value.

The Scheme of Arrangement, details of which are set out in a circular issued by TCM dated 13 June 2001 and an announcement issued by the Company dated 5 October 2001, resulted in a total gain of approximately HK$89,779,000 in the previous year.

7. DISCONTINUED OPERATIONS

With effect from September 2001, the Group ceased its operations of manufacture and trading of telecommunication products.

The results from the operations of the telecommunication products included in the consolidated income statement are as follows:

	2003 HK$'000	2002 HK$'000
Turnover	–	3,586
Cost of sales	–	(6,727)
Gross profit	–	(3,141)
Other revenue	–	1,761
Engineering expenses	–	(156)
Administrative expenses	–	(4,972)
Other operating expenses	–	(409)
Loss from operations	–	(6,917)
Gain on deemed partial disposal of a subsidiary	–	333
Liabilities waived by unsecured creditor	–	8,429
Finance costs	–	(613)
Profit before taxation	–	1,232
Taxation	–	(10)
Profit for the year	–	1,222

The net cash flows attributable to the business of telecommunication products included in the consolidated cash flow statement are as follows:

	2003 HK$'000	2002 HK$'000
Operating activities	**5**	8,111
Investing activities	–	–
Financing activities	–	–
Net cash inflows	**5**	8,111

8. TAXATION

	2003 **HK$'000**	2002 HK$'000
Overseas income tax	**40**	148

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any assessable profit for the year.

Overseas income tax is provided in accordance with the legislation and tax rates prevailing in the respective overseas countries.

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit attributable to shareholders, a loss of HK$6,375,000 (2002: HK$48,874,000) is dealt with in the financial statements of the Company.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the year of HK$190,000 (2002: HK$52,152,000) and on the weighted average of 29,931,804,183 (2002 : 23,107,221,372) ordinary shares in issue during the year.

As the impact of exercise of the convertible notes is anti-dilutive, diluted earnings per share for both the years ended 31 March 2003 and 31 March 2002 are not presented.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings HK$'000	Leasehold improvements HK$'000	Moulds and tools HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
Cost or valuation								
At 1 April 2002	87,250	14,994	48,418	56,255	7,509	3,049	13,221	230,696
Additions	–	14	1,617	87	–	60	3	1,781
Disposals	(22,823)	(7,602)	(46,049)	(2,906)	(2,053)	–	(4,313)	(85,746)
Disposal of subsidiaries	–	(764)	–	(1,560)	(635)	–	(18)	(2,977)
At 31 March 2003	**64,427**	**6,642**	**3,986**	**51,876**	**4,821**	**3,109**	**8,893**	**143,754**
Accumulated depreciation and impairment losses								
At 1 April 2002	16,595	13,838	35,373	48,015	7,349	2,789	12,554	136,513
Depreciation charge for the year	1,839	498	5,963	4,176	64	32	327	12,899
Impairment losses								
– Charged to the income statement	699	–	–	–	–	–	–	699
– Dealt with in the property revaluation reserve	475	–	–	–	–	–	–	475
Disposals	(4,480)	(7,524)	(38,270)	(2,898)	(2,043)	–	(4,248)	(59,463)
Disposal of subsidiaries	–	(764)	–	(1,338)	(612)	–	(2)	(2,716)
At 31 March 2003	**15,128**	**6,048**	**3,066**	**47,955**	**4,758**	**2,821**	**8,631**	**88,407**
Net book value								
At 31 March 2003	**49,299**	**594**	**920**	**3,921**	**63**	**288**	**262**	**55,347**
At 31 March 2002	70,655	1,156	13,045	8,240	160	260	667	94,183
The analysis of the cost or valuation of the above assets is as follows:								
At cost	61,602	6,642	3,986	51,876	4,821	3,109	8,893	140,929
At professional valuation	2,825	–	–	–	–	–	–	2,825
At 31 March 2003	**64,427**	**6,642**	**3,986**	**51,876**	**4,821**	**3,109**	**8,893**	**143,754**

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Land and buildings stated at professional valuation were valued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 19 March 1993.

The cost or valuation of the Group's land and buildings comprises the following:

	Hong Kong HK$'000	Outside Hong Kong HK$'000	Total HK$'000
Medium term lease (less than 50 years but not less than 10 years)			
At cost	–	61,602	61,602
At 1993 professional valuation	2,825	–	2,825
	2,825	61,602	64,427

(b) The net book value of property, plant and equipment held under finance leases included in the total amount of HK$55,347,000 as at 31 March 2003 amounted to HK$182,000 (2002: HK$888,000).

(c) The net book value of property, plant and equipment pledged as security for the Group's bank loans and banking facilities amounted to HK$54,959,000 (2002: HK$93,492,000)

12. LAND HELD FOR DEVELOPMENT

	Group	
	2003 HK$'000	2002 HK$'000
At cost	**3,333,012**	3,264,754
Interest capitalised in land held for development	**192,440**	135,763

Land held for development as at 31 March 2003 was situated in the PRC.

12. LAND HELD FOR DEVELOPMENT (Continued)

Particulars of the land held for development are as follows:

Location	Approximate site area (square metres)	Type of development
Liu Wan, Shekou, Shenzhen, the PRC (Lot No.K708-5, K708-2 and K708-3)	313,074	Shopping arcade/ residential/hotel/ recreational facilities

The land was a vacant site as at 31 March 2003.

Pursuant to the Real Property Ownership Certificate, the land use rights of the land site Lot No. K708-5 with an area of approximately 220,691 square metres for a term of 70 years from 1 January 1996 to 1 January 2066 was vested in Shenzhen Liu Wan Industry Development Co., Ltd. ("Shenzhen Liu Wan"), a subsidiary of the Company.

The Land Use Rights Certificate of the land site Lot No. K708-2 and K708-3 with an aggregate area of approximately 81,488 square metres will be granted upon full settlement of the land premium payables amounting to HK$163,606,000 as at 31 March 2003 (2002: HK$160,576,000).

In the prior year, Shenzhen Liu Wan and a third party entered into a co-operative agreement to develop the residential project in Liu Wan. Upon completion of the project, the third party will be entitled to 40% profit on the project. At 31 March 2003, the total deposit received from the third party for the project amounted to HK$28,695,000 (2002: HK$28,163,000) which is included under non-current liabilities in the consolidated balance sheet.

13. INTEREST IN A PROPERTY DEVELOPMENT PROJECT

	Group	
	2003	2002
	HK$'000	HK$'000
At cost	–	80,000

During the year, the Group's interest in a property development project was disposed of to a third party for a consideration of HK$100,000,000 resulting in a gain on disposal of HK$20,000,000.

14. INTEREST IN SUBSIDIARIES

	Company	
	2003 **HK$'000**	2002 HK$'000
Unlisted shares, at cost	**80,824**	112,897
Less: Provision for impairment	**(80,824)**	(112,897)
	–	–
Amounts due from subsidiaries (note (a))	**3,129,859**	3,120,215
Amounts due to subsidiaries (note (a))	**(4,071)**	(3,777)
Less: Provision for doubtful debts	**(475,912)**	(471,860)
	2,649,876	2,644,578
	2,649,876	2,644,578

(a) Amounts due from/to subsidiaries are unsecured, interest free and have no fixed repayment terms.

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

Name	Country/Place of incorporation/ establishment and operations	Nominal value of issued/registered capital	Percentage of capital held by the Company	Principal activities
Team Industrial Company Limited	Hong Kong	HK$57,143,000	65% *	Investment holding and provision of management services
Team Concepts Marketing Limited	Hong Kong	HK$500,000	65%	Design and marketing of electronic educational products
Team Concepts Technologies Limited	Hong Kong	HK$20	65%	Design and marketing of consumer electronic products
Team Concepts Manufacturing Limited	Hong Kong	HK$500,000	65%	Manufacture of consumer electronic products
Dong Guan Team Concepts Electronics Limited	PRC	HK$40,000,000 (see**below)	52%	Manufacture of consumer electronic products

14. INTEREST IN SUBSIDIARIES (Continued)

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

Name	Country/Place of incorporation/ establishment and operations	Nominal value of issued/registered capital	Percentage of capital held by the Company	Principal activities
Team Concepts (UK) Limited	United Kingdom	GBP100	65%	Provision of marketing services
Team Concepts Global Enterprise Limited	Hong Kong	HK$8,000	65%	Design and marketing of electronic educational products
South Sea Development (HK) Limited	Hong Kong	HK$2	100%*	Investment holding
Liu Wan Development (BVI) Company Limited	British Virgin Islands	US$215,000,000	100%	Investment holding
Liu Wan Investment Company Limited	Hong Kong	US$2	100%	Investment holding
Shenzhen Liu Wan Industry Development Co., Ltd. ("Shenzhen Liu Wan")	PRC	RMB100,000,000 (see***below)	100%	Investment holding and property investment
Top Gallant Development Limited	Hong Kong	HK$2	100%	Investment holding
Sheen Asset Limited	Hong Kong	HK$2	100%	Investment holding
Yorkwell International Limited	Hong Kong	HK$2	100%	Investment holding
Shenzhen Jin Yi Tian Industry Development Company Limited (formerly "Shenzhen Jin Yi Tian Investment Company Limited")	PRC	RMB18,000,000 (see****below)	100%	Property investment
Top First Assets Limited	British Virgin Islands	US$1	100%	Investment holding
Longwise Development Limited	Hong Kong	HK$2	100%	Investment holding

* Shares held directly by the Company

** Dong Guan Team Concepts Electronics Limited was established as a co-operative joint venture in the PRC for a term of 30 years commencing from 5 June 1992. Upon the expiry of the term of the joint venture, the land and buildings of the joint venture will be taken over by the PRC party while the remaining assets will be taken over by the Group. The Group's profit entitlement in the joint venture is 52% of the retained profits.

14. INTEREST IN SUBSIDIARIES (Continued)

*** Shenzhen Liu Wan was a co-operative joint venture established for a period of 50 years up to April 2049 under a joint venture agreement dated 28 March 2000 among Shenzhen Golden Era Industry Development Co., Ltd. ("Shenzhen Golden Era"), Liu Wan Development (BVI) Company Limited ("Liu Wan (BVI)"), Liu Wan Investment Company Limited (a wholly-owned subsidiary of Liu Wan (BVI)) and a PRC party. Pursuant to the agreement, Shenzhen Golden Era injected a land site in Shenzhen into Shenzhen Liu Wan in return for a 10% entitlement of profit sharing in Shenzhen Liu Wan. According to an agreement dated 30 April 2000, the PRC party transferred all of its 5% interest including the profit-sharing and control in Shenzhen Liu Wan to Liu Wan (BVI) for a consideration of RMB321,000,000. According to an agreement dated 10 August 2000, Shenzhen Golden Era transferred all its 10% profit-sharing interest in Shenzhen Liu Wan to Liu Wan (BVI) for a consideration of HK$500,000,000. As a result of the above, Liu Wan (BVI) directly and indirectly owns the entire equity interest in Shenzhen Liu Wan.

**** Shenzhen Jin Yi Tian Industry Development Company Limited (" Shenzhen Jin Yi Tian") is a PRC enterprise established on 28 January 1997 for a period of 10 years up to 28 January 2007. Pursuant to an agreement dated 2 September 1999, Shenzhen Liu Wan and a PRC party acquired 90% and 10% respectively of the equity interest in Shenzhen Jin Yi Tian. Pursuant to an agreement dated 21 March 2001, the PRC party agreed to waive unconditionally its 10% equity interest in Shenzhen Jin Yi Tian and as a result, Shenzhen Liu Wan effectively owns 100% equity interest in Shenzhen Jin Yi Tian.

The above table lists out the subsidiaries of the Company as at 31 March 2003 which, in the opinion of the directors, principally affected the Group's 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 the directors, result in particulars of excessive length.

15. INTEREST IN AN ASSOCIATE

	Group	
	2003 HK$'000	2002 HK$'000
Share of net assets	**209,223**	209,597

Particulars of the associate at 31 March 2003 are as follows:

Name	Country of incorporation and operations	Nominal value of issued capital	Percentage of capital held by the Group 2003	2002	Principal activity
Listar Properties Limited	British Virgin Islands	US$20,000,000	**49%**	49%	Investment holding

16. INTEREST IN A JOINT VENTURE

	Group	
	2003	2002
	HK$'000	HK$'000
Share of net assets	–	3,929
Less: Provision for impairment	–	(3,929)
	–	–
Amount due from a joint venture	–	12,672
Less: Provision for doubtful debts	–	(12,583)
	–	89

The amount due from a joint venture represented trade receivable due from Juguetes Electronicos Avanzados S.L., (a former 50% owned joint venture of the Group) which was unsecured, interest-free and repayable on demand.

During the year, the Group disposed of its interest in the joint venture to a third party for a consideration of HK$3,492,000, resulting in a gain on disposal of approximately HK$3,403,000.

17. DEPOSIT FOR ACQUISITION OF INVESTMENTS

The amount represents the deposit paid for the acquisition of 100% equity interest in Yat Tai Resources Limited ("Yat Tai"), which is an investment holding company incorporated in the British Virgin Islands. The major asset of Yat Tai is a 95% interest in a PRC joint venture which is principally engaged in property investment and development. As at 31 March 2003, the acquisition has not yet been completed subject to fulfilment of certain conditions.

18. PRODUCT DEVELOPMENT COSTS

	Group	
	2003	2002
	HK$'000	HK$'000
At the beginning of the year	**8,769**	8,726
Additions	**120**	6,087
Amortisation	**(3)**	(5,127)
Disposals	**(8,710)**	–
Write-off	–	(917)
At the end of the year	**176**	8,769

19(a). GOODWILL

	Group HK$'000
Gross amount	
At 1 April 2002	3,724
Disposal of subsidiaries	(3,724)
At 31 March 2003	–
Accumulated amortisation	
At 1 April 2002	78
Amortisation for the year	93
Disposal of subsidiaries	(171)
At 31 March 2003	–
Carrying value	
At 31 March 2003	–
At 31 March 2002	3,646

19(b). NEGATIVE GOODWILL

	Group HK$'000
Gross amount	
At 1 April 2002 and **at 31 March 2003**	**281,767**
Accumulated amount recognised as income	
At 1 April 2002	10,566
Amount recognised as income for the year	14,088
At 31 March 2003	**24,654**
Carrying value	
At 31 March 2003	**257,113**
At 31 March 2002	271,201

Negative goodwill is recognised as income over a period of twenty years and the negative goodwill recognised as income for the year is included in other revenue in the consolidated income statement.

20. INVENTORIES

	Group	
	2003	2002
	HK$'000	HK$'000
Raw materials	**816**	48,485
Work in progress	**760**	12,247
Finished goods	**5,674**	19,220
Goods in transit	**1,074**	12
	8,324	79,964
Less : Provision for slow-moving and obsolete inventories	**(5,101)**	(53,659)
	3,223	26,305

All the above inventories, except for goods in transit, are stated at net realisable value.

21. TRADE AND BILLS RECEIVABLES

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

	Group	
	2003	2002
	HK$'000	HK$'000
0–90 days	**52,783**	15,323
91–180 days	**1,033**	4,406
181–270 days	**3,246**	36
271–360 days	**1,341**	867
Over 360 days	**12,758**	6,172
Less: Provision	**(17,488)**	(14,871)
	53,673	11,933

Majority of the Group's sales are entered into on letters of credit while the rest are entered into on credit terms ranging from 30 to 60 days. During the years ended 31 March 2003 and 31 March 2002, the Group encountered difficulties in collection of certain trade debts and appropriate provision has been made against certain bad and doubtful debts.

22. TRADE AND BILLS PAYABLES

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

	Group	
	2003	2002
	HK$'000	HK$'000
0–90 days	**1,270**	990
91–180 days	**774**	4,560
181–270 days	**26**	2,457
271–360 days	**73**	180
Over 360 days	**2,846**	2,044
	4,989	10,231

23. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company is unsecured, interest-free and has no fixed repayment terms.

24. AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES

The amounts due from/(to) fellow subsidiaries are unsecured, interest-free and have no fixed repayment terms.

25. BANK LOANS AND OVERDRAFTS (SECURED)

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts	**272**	272	**–**	–
Restructure loan (note (a))	**109,801**	116,183	**–**	–
Bank loans (note (b))	**412,043**	592,832	**–**	2,800
	522,116	709,287	**–**	2,800
Less : Current portion due within one year included under current liabilities	**(62,504)**	(211,621)	**–**	(2,800)
Non current portion included under non-current liabilities	**459,612**	497,666	**–**	–

25. BANK LOANS AND OVERDRAFTS (SECURED) (Continued)

Notes:

(a) In the prior year, the Group entered into an agreement with one of its lending banks (the "Bank"), pursuant to which the repayment period for the bank loans and overdrafts of approximately HK$116 million due to the Bank was extended. Under the agreement, the Group was allowed to consolidate all these bank loans and overdrafts into a restructure loan which should be repaid on or before 14 November 2006 while interest on these balances for the first thirty months after 1 May 2001 would be waived. Part of the restructure loan was repaid during the year following the disposal of certain land and buildings of the Group.

(b) During the year, certain post completion conditions attached to the bank loans of approximately HK$389 million granted by two bankers to Shenzhen Liu Wan have not been fulfilled. The Group and the bankers are in the course of negotiation for the bankers to waive the conditions. The directors are optimistic that the bankers will ultimately waive those conditions and will not make the loans become immediately due and repayable. On this basis, these loans continue to be shown as non-current liabilities in the consolidated balance sheet.

26. CONVERTIBLE NOTES/DEBENTURES

		Group and Company	
	Notes	**2003 HK$'000**	2002 HK$'000
5% convertible notes	(a)	–	210,000
Non-interest bearing convertible debentures	(b)	–	10,653
Conversion into shares		–	(1,045)
Transfer to other payables		–	(9,608)
		–	–

(a) On 18 September 2001, the Company issued HK$210,000,000 5% convertible notes to Power Ocean Investments Limited ("Power Ocean"), an independent third party, for settlement of a loan of HK$210,000,000 under a loan agreement dated 30 August 2001. These convertible notes bore interest at 5% per annum and were originally due on 18 September 2002. The convertible note carried the right at any time commencing on the date of issue but before the due date to convert in whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. The notes have not been converted into shares and remained outstanding as at 18 September 2002. Power Ocean has agreed in writing to extend the repayment date of the amount due to 31 December 2003 (note 27).

(b) The non-interest bearing convertible debentures were issued under the Scheme of Arrangement as described in note 5 above. These convertible debentures were non-interest bearing and due on 31 December 2001. The convertible debentures carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the debentures into ordinary shares of the Company at a conversion price of HK$0.10 per share. As at 31 December 2001, convertible debentures amounting to HK$1,045,000 were converted into 10,453,209 ordinary shares in the Company at HK$0.10 each. After 31 December 2001, the debentures which have not been converted were transferred to other payables, which were all subsequently settled.

27. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals is the amount of HK$210,000,000 payable to Power Ocean (note 26(a)), which is unsecured, bears interest at the rate of 9% per annum and repayable on 31 December 2003.

28. FINANCE LEASES

	Group	
	2003	2002
	HK$'000	HK$'000
Obligations under finance leases	**195**	473
Less : Current portion due within one year included under current liabilities	**(195)**	(440)
	–	33

At 31 March 2003, the Group's finance leases were repayable as follows:

	2003	2002
	HK$'000	HK$'000
Due within one year	**195**	440
Due in the second to fifth years	**–**	33
	195	473

29. CASH AT BANKS AND IN HAND

Included in the cash at banks and in hand is approximately HK$344,000 (2002: HK$220,115,000), representing Renminbi deposits placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

30. SHARE CAPITAL

	Number of shares of HK$0.10 each	Number of shares of HK$0.01 each	HK$'000
Authorised:			
At 1 April 2001	15,000,000,000		1,500,000
Increase during the year (note (a))	35,000,000,000		3,500,000
At 31 March 2002 and at 1 April 2002	50,000,000,000		5,000,000
Reduction of nominal value	(50,000,000,000)	230,613,762,353	(2,693,862)
Increase during the year (note (e))	–	269,386,237,647	2,693,862
At 31 March 2003	**–**	**500,000,000,000**	**5,000,000**
Issued and fully paid :			
At 1 April 2001	6,630,519,000		663,052
Issue of new shares for cash (note (b)-(d))	23,290,831,974		2,329,083
Conversion of convertible notes (note (d))	10,453,209		1,045
At 31 March 2002 and at 1 April 2002	29,931,804,183		2,993,180
Reduction of nominal value (note (e))	(29,931,804,183)	29,931,804,183	(2,693,862)
At 31 March 2003	**–**	**29,931,804,183**	**299,318**

(a) Pursuant to an ordinary resolution dated 9 July 2001, the authorised share capital of the Company was increased from HK$1,500,000,000 divided into 15,000,000,000 shares of HK$0.10 each to HK$5,000,000,000 by the creation of a further 35,000,000,000 shares of HK$0.10. These shares rank pari passu in all respects with the existing shares of the Company.

(b) On 10 July 2001 and 23 November 2001, 22,234,300,000 shares of HK$0.10 each and 700,000,000 shares of HK$0.10 each respectively were issued and allotted at par to Sino-i and certain third parties as partial consideration for the acquisition of the entire issued share capital of Liu Wan (BVI) and the property development project in Nanjing, the PRC (note 13) pursuant to the Properties Injection Agreement and the Rich King Agreement, details of which have been disclosed in the Company's circular dated 18 June 2001.

(c) On 17 October 2001, 250,000,000 shares of HK$0.10 each were issued and allotted to an independent third party, as consideration for the acquisition of the entire issued share capital of Longwise Development Limited.

30. SHARE CAPITAL (Continued)

(d) Pursuant to the Scheme of Arrangement as described in note 6(d), 106,531,974 ordinary shares in the Company were issued at par to the unsecured creditors of TCM. In addition, convertible debentures of an aggregate amount of HK$10,653,000 were also issued under the Scheme of Arrangement to these creditors. On 29 October 2001, 12 November 2001, 20 December 2001 and 31 December 2001, convertible debentures of HK$34,000, HK$25,000, HK$826,000 and HK$160,000 respectively were converted by the debenture holders into 10,453,209 shares of HK$0.10 each at the conversion price of HK$0.10 per share.

(e) Pursuant to a special resolution passed on 30 April 2002, the authorised share capital of the Company was reduced from HK$5,000,000,000 divided into 50,000,000,000 shares of HK$0.10 each to HK$2,306,138,000 divided into 230,613,762,353 shares of HK$0.01 each with effect from 2 May 2002. The reduction is effected by cancelling the paid up capital to the extent of HK$0.09 on each of the 29,931,804,183 shares in issue; by subdividing the unissued shares from 20,068,195,817 shares of HK$0.10 each into 200,681,958,170 shares of HK$0.01 each; and by reducing the authorised share capital of the Company from HK$5,000,000,000 to HK$2,306,137,623. The amount of HK$2,693,862,000 arising from the reduction of capital has been firstly offset against the accumulated losses of the Company as at 30 April 2002 and then credited to the contributed surplus of Company. By an ordinary resolution passed on 30 April 2002, the authorised share capital of the Company was increased from HK$2,306,138,000 to HK$5,000,000,000 by the creation of 269,386,237,647 new shares of HK$0.01 each following the aforesaid capital reduction coming into effect. These new shares rank pari passu with the existing shares of the Company.

31. RESERVES

Group

	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000
At 1 April 2001	96,069	20,778	12,465	52	(818,919)	(689,555)
Release on disposal of properties	–	(1,311)	–	–	1,311	–
Exchange differences on translation of the financial statements of foreign subsidiaries	–	–	–	(274)	–	(274)
Profit for the year	–	–	–	–	52,152	52,152
At 31 March 2002 and at 1 April 2002	96,069	19,467	12,465	(222)	(765,456)	(637,677)
Reduction of capital (note 30(e))	–	–	1,921,847	–	772,015	2,693,862
Release on disposal of properties	–	(18,960)	–	–	18,960	–
Exchange differences on translation of the financial statements of foreign subsidiaries	–	–	–	8,511	–	8,511
Release upon disposal of subsidiaries	–	–	643	(181)	–	462
Impairment losses on land and buildings	–	(475)	–	–	–	(475)
Profit for the year	–	–	–	–	190	190
At 31 March 2003	**96,069**	**32**	**1,934,955**	**8,108**	**25,709**	**2,064,873**

31. RESERVES (Continued)

Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2001	96,069	50,010	(719,971)	(573,892)
Loss for the year	–	–	(48,874)	(48,874)
At 31 March 2002 and at 1 April 2002	96,069	50,010	(768,845)	(622,766)
Reduction of capital (note 30(e))	–	1,921,847	772,015	2,693,862
Loss for the year	–	–	(6,375)	(6,375)
At 31 March 2003	**96,069**	**1,971,857**	**(3,205)**	**2,064,721**

(a) Contributed surplus of the Company represents the difference between the aggregate net asset value of subsidiaries acquired and the nominal amount of the Company's shares issued for the acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders under certain circumstances.

(b) Included in the retained profits of the Group of HK$25,709,000 (2002: accumulated losses of HK$765,456,000) is the accumulated losses of HK$777,000 (2002: HK$403,000) of an associate (note 15) dealt with in the financial statements.

32. DEFERRED TAXATION

At 31 March 2003, the amount of deferred tax liabilities on timing differences provided for is as follows:

	Group	
	2003 **HK$'000**	2002 HK$'000
Tax effect of timing differences attributable to accelerated depreciation allowances	**790**	790

At 31 March 2003, the amount of unprovided deferred tax asset is as follows:

	Group	
	2003 **HK$'000**	2002 HK$'000
Tax effect of timing differences attributable to estimated tax losses	**53,079**	60,797

No provision has been made for deferred tax liability in respect of the timing differences relating to the surplus from the revaluation of properties of subsidiaries. The revaluation does not constitute a timing difference for taxation purposes because the revalued properties are not subject to capital gains tax.

Deferred tax asset has not been recognised in the financial statements as it is uncertain whether such asset will crystallise in the foreseeable future.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	2003 **HK$'000**	2002 HK$'000
Net assets acquired:		
Property, plant and equipment	–	47
Land held for development	–	3,201,463
Other receivables and deposits	–	2,994
Cash at banks and in hand	–	501
Amounts due to fellow subsidiaries	–	(67,883)
Trade and other payables	–	(123,203)
Land premium payables	–	(160,576)
Short-term bank loan	–	(185,185)
Deposit received	–	(27,685)
	–	2,640,473
Negative goodwill arising on consolidation	–	(278,043)
	–	2,362,430
Satisfied by:		
Issue of shares	–	2,238,430
Disposal of a subsidiary	–	124,000
	–	2,362,430

Analysis of the net cash inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2003 **HK$'000**	2002 HK$'000
Cash at banks and in hand acquired	–	501

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries

	2003 HK$'000	2002 HK$'000
Net assets disposed of:		
Property, plant and equipment	**261**	4,173
Land held for development	**21,086**	–
Inventories	**1,753**	–
Trade and other receivables	**1,068**	401
Amount due from ultimate holding company	**–**	24,018
Amounts due from minority shareholders	**–**	888
Cash at banks and in hand	**900**	142
Pledge bank deposits	**–**	5,446
Trade and other payables	**(14,858)**	(1,289)
Bank loans	**–**	(4,897)
	10,210	28,882
Goodwill written off on disposal of subsidiaries	**3,553**	95,118
Reserves released upon disposal of subsidiaries:		
– Capital reserve	**643**	–
– Exchange reserve	**(181)**	–
Gain on disposal of subsidiaries	**9,736**	–
	23,961	124,000
Satisfied by:		
Acquisition of a subsidiary	**–**	124,000
Cash consideration	**8,204**	–
Consideration included in other receivables	**15,000**	–
Waiver of amount due to a creditor	**757**	–

Analysis of the net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2003 HK$'000	2002 HK$'000
Cash consideration	**8,204**	–
Cash at banks and in hand disposed of	**(900)**	(142)
	7,304	(142)

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Major non-cash transactions

The acquisition of a subsidiary, Liu Wan (BVI), and the interest in a property development project during the year ended 31 March 2002 were satisfied by the disposal of a former subsidiary, Rich King Inc., to Sino-i and the issue of 22,934,300,000 shares of HK$0.10 each to Sino-i and independent vendors.

The acquisition of a subsidiary, Longwise Development Limited, during the year ended 31 March 2002 was satisfied by the issue of 250,000,000 shares of HK$0.10 each to an independent third party.

The consideration of HK$210,000,000 for the acquisition of 49% equity interest in an associate during the year ended 31 March 2002 was financed by a loan of HK$210,000,000 which was subsequently settled by the issuance of HK$210,000,000 5% interest-bearing convertible notes.

Under the Scheme of Arrangement as described in note 6(d), the Company issued 106,531,974 shares of HK$0.10 each and convertible debentures of HK$10,653,000 to settle the total amount due to the unsecured creditors of TCM, resulting in liabilities waived by unsecured creditors of HK$89,779,000.

The disposal of a subsidiary during the year ended 31 March 2003 was satisfied by the waiver of an amount due to a creditor of HK$757,000.

34. RETIREMENT BENEFIT COSTS

Before 1 December 2000, the Group operated a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The rate of contribution payable by the Group is 5% of the individual employees' monthly basic salaries. The Group's contributions under the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme Ordinance"). With effect from 1 December 2000, a new scheme (the "MPF Scheme") was also set up under the MPF Scheme Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, pension scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% on their monthly basic salaries whereas the Group's monthly contribution is 5% of relevant income up to a maximum monthly contribution of HK$1,000.

The subsidiaries operating in the PRC are required to participate in defined contribution retirement schemes organised by the relevant local government authorities. They are required to make contributions to the retirement schemes at a rate of 13 to 19 per cent of basic salary of their employees. There are no other further obligations to the Group in respect of these retirement schemes.

34. RETIREMENT BENEFIT COSTS (Continued)

Contributions to the ORSO Scheme and the MPF Scheme paid for the Hong Kong employees and contributions to the defined contribution retirement scheme paid for the PRC employees charged to the consolidated income statement for the year amounted to HK$131,000 (2002: HK$13,000). Forfeited contributions in respect of the ORSO Scheme of approximately HK$312,000 (2002: HK$756,000) were utilised during the year leaving Nil (2002: Nil) available as at 31 March 2003 to reduce future contributions.

Contributions totalling HK$28,000 (2002: HK$20,000) payable to the ORSO Scheme and the MPF Scheme at 31 March 2003 are included in other payables.

35. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments and fees disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the provisions of the Listing Rules are as follows :

	2003 **HK$'000**	2002 HK$'000
Fees	**340**	18
Other emoluments:		
– basic salaries, other allowances and benefits in kind	**–**	–
	340	18

The number of the directors whose emoluments fall within the following bands is as follows:

	Number of directors			
	Executive directors		**Non-executive directors**	
	2003	2002	**2003**	2002
Nil – HK$1,000,000	**3**	5	**5**	4

No directors waived or agreed to waive any emoluments in respect of the years ended 31 March 2003 and 2002.

35. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, none (2002: none) is a director of the Company. The five (2002: five) highest paid individuals are senior management of the Group. The aggregate amount of the individuals whose emoluments have not been disclosed in directors' emoluments noted above is as follows:

	2003	2002
	HK$'000	HK$'000
Basic salaries, other allowances and benefits in kind	**2,513**	3,700
Pension contributions	**60**	132
	2,573	3,832

The number of the above individuals whose emoluments fall within the following bands is as follows:

	2003	2002
Nil– HK$1,000,000	**5**	4
HK$1,000,001– HK$1,500,000	**–**	1
	5	5

During the year ended 31 March 2003 no emoluments were paid to the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

36. COMMITMENTS

(a) Capital commitments

At 31 March 2003, the Group had commitments in respect of the purchase of property, plant and equipment and land held for development as follows :

	2003 HK$'000	2002 HK$'000
Contracted but not provided for	**22,355**	25,231

At 31 March 2003 and 2002, the Company had no capital commitments.

(b) Commitments under operating leases

At 31 March 2003, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Land and buildings	
	2003 HK$'000	2002 HK$'000
Within one year	**83**	779
In the second to fifth years	**–**	2,568
	83	3,347

At 31 March 2003 and 2002, the Company had no operating lease commitments.

37. CONTINGENT LIABILITIES

	Group		**Company**	
	2003 HK$'000	2002 HK$'000	**2003 HK$'000**	2002 HK$'000
Guarantees given in connection with credit facilities granted to a third party	**37,037**	37,037	**–**	–

38. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with its ultimate holding company:

Financial transactions

	2003 HK$'000	2002 HK$'000
Management fee paid	–	3,423

Management fee in 2002 was paid to Sino-i in respect of the management services provided. The management fee was mutually agreed between the relevant parties.

Assets injection with Sino-i

On 22 March 2001, the Company and Sino-i entered into two conditional agreements in respect of the acquisition of direct and indirect interests in certain properties through acquisition of subsidiaries and interest in a property development project from Sino-i and independent vendors, as set out in the Company's circular dated 18 June 2001, at a consideration of HK$2,417,430,000, which will be satisfied by issuing 22,934,300,000 shares in the Company at HK$0.10 each and the disposal of Rich King Inc. to Sino-i at a consideration of HK$470,000,000 respectively. On 10 May 2001, the Company and Sino-i entered into supplemental agreements as modified and supplemented to the conditional agreements, under which the consideration for disposal of Rich King Inc. was adjusted to HK$124,000,000. On 10 July 2001 and 23 November 2001, 22,234,300,000 and 700,000,000 shares of HK$0.10 each respectively in the Company were issued to Sino-i and independent vendors. Rich King Inc. was disposed of to Sino-i in exchange of the direct and indirect interests in properties on 10 July 2001.

Financial support

As at 31 March 2003, the Group's banking facilities were secured by corporate guarantees executed by the ultimate holding company.

Balances with ultimate holding company and fellow subsidiaries

As at 31 March 2003, the Group had payables due to the ultimate holding company and certain fellow subsidiaries. These balances are mainly in respect of advances from these parties.

Details of the terms are set out in notes 23 and 24 to the financial statements.

39. BANKING FACILITIES

The total banking facilities of the Group amounting to HK$522 million (2002: HK$709 million) were secured, inter alia, by the following:

(i) fixed charges over the leasehold land and buildings and other fixed assets of the Group with an aggregate net book value of approximately HK$54,959,000 (2002: HK$93,492,000);

(ii) floating charge over other assets of certain subsidiaries within the Group;

(iii) corporate guarantees given by Paracorp Berhad, the former ultimate holding company of the Group, with a maximum liability of not more than HK$40 million;

(iv) corporate guarantee given by the ultimate holding company for HK$42.8 million and unlimited guarantees given by certain subsidiaries within the Group;

(v) charge over shares in certain subsidiaries within the Group;

(vi) guarantee given by former shareholders of the Company with a maximum liability of not more than HK$30 million plus default interest and expenses;

(vii) the land held for development with Land Lot No. K708-5 at Liu Wan (see note 12);

(viii) unlimited personnel guarantee given by Mr.Yu Pun Hoi, a director and substantial shareholder of the Company;

(ix) all sales proceeds from sale of the properties with Land Lot No. K708-5 at Liu Wan (see note 12); and

(x) unlimited corporate guarantee given by the Company.

40. PENDING LITIGATION

In a prior year, Team Concepts Marketing Limited (formerly Team Concepts Electronics Limited), a subsidiary of the Company, issued a proceeding against an European distributor, Stadlbauer Marketing & Vertrieb GmbH ("SMV"), for outstanding accounts receivable of approximately US$0.8 million (HK$6.2 million). SMV has filed a counterclaim for a sum amounting to Austrian Schilling 2.5 million (HK$1.6 million) for alleged breach of exclusive distributorship contracts. Up to the date of approval of these financial statements, the court case is still in progress and no settlement has yet been received by the Group. The directors are of the opinion that this litigation is unlikely to result in any material loss to the Group and adequate provision has been made against any potential loss.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 18 to 65 were approved by the board of directors on 30 July 2003.