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.

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

2. BASIS OF PREPARATION

The financial statements on pages 24 to 69 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.

As at 31 December 2003, the Group had net current liabilities of HK$670,839,000. 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 that the Group is currently in the course of discussion with some of its bankers to apply for additional credit facilities and the directors anticipate that the Group will be able to maintain the existing credit facilities and also obtain additional credit facilities from its bankers. 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, 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

(a) Adoption of a revised SSAP

In the current period, the Group has adopted SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In the previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where timing differences were not expected to reverse in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

In the absence of any specific transitional arrangements in SSAP 12 (Revised), the new accounting policy as detailed in note 3(k) below has been applied retrospectively. The adoption of SSAP 12 (Revised) has not resulted in any significant changes to the current and prior period's net assets and results and accordingly, 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 December 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 period 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.

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.

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) 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 the 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 the 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)

(e) 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.

(f) Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised from the date of initial recognition and 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 the 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) 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.

(h) 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) 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.

(j) 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.

(k) Income tax

Income tax for the period comprises current and deferred taxes.

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(l) 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 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.

(m) 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 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 period. Exchange differences arising are dealt with as movement in exchange reserve.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Employee entitlements

(i) Employee entitlements

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

Non-accumulating compensated absences are not recognised until the time of leave.

(ii) 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.

(o) 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.

(p) 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 Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(q) 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.

(r) 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) 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

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
(a) Turnover:		
Continuing operations		
– Sale of goods	**2,164**	64,032
Discontinuing operations		
– Provision of electronic manufacturing services	**9,544**	36,544
	11,708	100,576
(b) Other revenue:		
Bank interest income	**–**	6
Other interest income	**6,848**	2,764
Exchange gain	**–**	68
Negative goodwill recognised as income	**10,566**	14,088
Gain on disposal of property, plant and equipment	**2,393**	–
	19,807	16,926
Total revenue	**31,515**	117,502

The Group's operation of manufacture of electronics products was discontinued with effect from December 2003 and accordingly, the electronics manufacturing services of the Group was treated as discontinuing operations.

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) Electronics 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 locations of the customers, and assets are attributed to the segments based on the locations 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 period from 1 April 2003 to 31 December 2003 and for the year ended 31 March 2003.

	Continuing operations						Discontinuing operations					
	Consumer packaged electronics		Property development		Others		Electronics manufacturing services		Telecommunication products		Total	
	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000
Segment revenue												
Sales to external customers	**2,164**	64,032	**–**	–	**–**	–	**9,544**	36,544	**–**	–	**11,708**	100,576
Segment results	**(6,728)**	(15,618)	**7,311**	8,990	**(214)**	(482)	**(8,358)**	(5,248)	**–**	–	**(7,989)**	(12,358)
Interest income											**6,848**	2,770
Finance costs											**(22,251)**	(22,947)
Interest wavied by creditors											**34,066**	–
Gain on disposal of a property development project				20,000							**–**	20,000
Gain on disposal of subsidiaries		26,261			**11**		**53,530**				**53,541**	26,261
Gain on disposal of a joint venture		3,403									**–**	3,403
Loss on disposal of a subsidiary				(16,525)	**(120)**						**(120)**	(16,525)
Share of loss of an associate			**(550)**	(374)							**(550)**	(374)
Profit before taxation											**63,545**	230
Taxation											**–**	(40)
Profit after taxation											**63,545**	190
Minority interests											**–**	–
Profit for the period/year attributable to shareholders											**63,545**	190

5(a). BUSINESS SEGMENTS (Continued)

	Continuing operations						Discontinuing operations					
	Consumer packaged electronics		Property development		Others		Electronics manufacturing services		Telecommunication products		Total	
	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000
Segment assets	**19,008**	37,817	**3,455,125**	3,301,369	**116,662**	2,558	**–**	113,374	**379**	379	**3,591,174**	3,455,497
Interest in associates	**–**	–	**224,711**	209,223	**–**	–	**–**	–	**–**	–	**224,711**	209,223
Total assets	**19,008**	37,817	**3,679,836**	3,510,592	**116,662**	2,558	**–**	113,374	**379**	379	**3,815,885**	3,664,720
Segment liabilities	**12,134**	12,484	**609,853**	646,247	**352,044**	108,904	**–**	8,693	**3,009**	2,357	**977,040**	778,685
Loan liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**424,660**	521,844
Total liabilities	**12,134**	12,484	**609,853**	646,247	**352,044**	108,904	**–**	8,693	**3,009**	2,357	**1,401,700**	1,300,529
Other segment information												
Capital expenditure	**97**	1,807	**77,585**	63,619	**–**	–	**161**	26	**–**	–	**77,843**	65,452
Depreciation	**522**	6,515	**27**	24	**47**	1,351	**3,474**	5,009	**–**	–	**4,070**	12,899
Amortisation and write-off of product development costs	**27**	3	**–**	–	**–**	–	**–**	–	**–**	–	**27**	3
Amortisation of goodwill	**–**	–	**181**	93	**–**	–	**–**	–	**–**	–	**181**	93
Negative goodwill recognised as income	**–**	–	**10,566**	14,088	**–**	–	**–**	–	**–**	–	**10,566**	14,088

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	
	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000
Segment revenue								
Sales to external customers	**857**	3,104	**–**	12,922	**10,851**	84,550	**11,708**	100,576
Segment results	**(2,652)**	(430)	**–**	(14,454)	**(5,337)**	2,526	**(7,989)**	(12,358)

	Europe/ North America		Hong Kong		People's Republic of China ("PRC"), other than Hong Kong		Total	
	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000	**Period from 1 April 2003 to 31 December 2003 HK$'000**	Year ended 31 March 2003 HK$'000
Segment assets	**1,621**	5,011	**134,428**	35,743	**3,679,836**	3,623,966	**3,815,885**	3,664,720
Other segment information								
Capital expenditure	**–**	70	**16,135**	1,737	**61,708**	63,645	**77,843**	65,452

6(a). PROFIT FROM OPERATIONS

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Profit from operations is arrived at after charging:		
Amortisation of product development costs	–	3
Write-off of product development costs	27	–
Amortisation of goodwill	181	93
Auditors' remuneration	1,304	1,205
Cost of inventories recognised as expense	6,120	44,253
Cost of services provided	15,087	31,755
Depreciation on		
– owned property, plant and equipment	4,070	12,838
– leased property, plant and equipment	–	61
Impairment losses on land and buildings	–	699
Loss on disposal of property, plant and equipment	–	12,916
Operating lease charges on land and buildings	93	613
Provision for bad and doubtful debts	1,592	4,868
Redundancy cost	90	554
Staff costs (including directors' remuneration and contribution to defined contribution retirement scheme)	4,351	13,720

6(b). INTEREST WAIVED BY CREDITORS

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Interest waived by		
– Power Ocean Investments Limited ("Power Ocean") (note)	30,137	–
– a third party creditor	3,929	–
	34,066	–

Note: On 18 September 2001, the Company issued HK$210,000,000 5% convertible notes to 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 had not been converted into shares by the original due date of 18 September 2002 and Power Ocean had agreed in writing to extend the repayment date to 31 December 2003. The amount due bore interest at the rate of 9% per annum and was included in other payables and accruals as at 31 March 2003.

On 31 December 2003, the principal amount of HK$210,000,000 has been settled by the Group and Power Ocean has agreed in writing to waive the aggregate interests accrued on the principal amount unconditionally. This gave rise to a gain of HK$30,137,000 which was dealt with in the consolidated income statement for the period.

7. FINANCE COSTS

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Interest on convertible notes	–	4,378
Interest on bank loans and overdrafts	**21,948**	64,646
Interest on finance leases	–	84
Interest on other payables	**40,517**	10,516
Total interest	**62,465**	79,624
Less: Amount directly attributable to land held for development capitalised	**(40,214)**	(56,677)
	22,251	22,947

8. DISCONTINUING OPERATIONS

With effect from December 2003, the Group ceased its operations of electronics manufacturing services after disposal of the relevant subsidiaries.

The results from the operations of electronics manufacturing services included in the consolidated income statement are as follows:

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Turnover	**11,323**	97,821
Cost of sales and services provided	**(18,744)**	(63,819)
Gross (loss)/profit	**(7,421)**	34,002
Gain on disposal of property, plant and equipment	**2,609**	215
Write back of provision for amounts due from fellow subsidiaries	**123,642**	–
Other revenue	**3,960**	73
Administrative expenses	**(2,150)**	(24,195)
Other operating expenses	**(416)**	(43)
Profit from operations	**120,224**	10,052
Finance costs	**(1,043)**	(1,449)
Profit before taxation	**119,181**	8,603
Taxation	–	(40)
Profit for the period/year	**119,181**	8,563

8. DISCONTINUING OPERATIONS (Continued)

The net cash flows attributable to the operations of electronics manufacturing services included in the consolidated cash flow statement are as follows:

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Operating activities	**62,177**	(28,647)
Investing activities	**–**	–
Financing activities	**(195)**	–
	61,982	(28,647)

9. TAXATION

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
The tax charge comprises:		
Overseas income tax	**–**	40

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

No income tax for other jurisdictions has been provided in the financial statements as the Group did not derive any taxable income in those jurisdictions for the period.

9. TAXATION (Continued)

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions and can be reconciled to the profit per the consolidated income statement as follows:

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Profit before taxation	**63,545**	230
Tax charge/(credit) calculated at the rates applicable to the jurisdictions concerned	**31,907**	(14,518)
Tax effect of expenses that are not deductible in determining taxable profit	**(110,350)**	(14,461)
Tax effect of non-taxable revenue	**79,254**	30,544
Tax effect of deductible temporary differences	**–**	(148)
Tax effect of unrecognised tax losses	**(811)**	(1,377)
Actual tax expense	**–**	40

In March 2003, the Hong Kong government announced an increase in the profits tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5%. This increase has been taken into account in the preparation of the Group's financial statements for the period.

10. PROFIT FOR THE PERIOD/YEAR ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit for the period/year attributable to shareholders, a loss of HK$2,385,000 (year ended 31 March 2003: a loss of HK$6,375,000) is dealt with in the financial statements of the Company.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit for the period/year attributable to shareholders of HK$63,545,000 (year ended 31 March 2003: HK$190,000) and on the weighted average of 29,931,804,183 (year ended 31 March 2003: 29,931,804,183) ordinary shares in issue during the period/year.

Diluted earnings per share for the period/year ended 31 December 2003/31 March 2003 has not been shown as there were no dilutive potential ordinary shares during those periods.

12. 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 2003	64,427	6,642	3,986	51,876	4,821	3,109	8,893	143,754
Additions	–	5	97	165	–	–	93	360
Disposals	(2,825)	–	–	–	–	–	–	(2,825)
Disposal of subsidiaries	(61,602)	(3,360)	–	(41,835)	(929)	(1,203)	(2,278)	(111,207)
At 31 December 2003	**–**	**3,287**	**4,083**	**10,206**	**3,892**	**1,906**	**6,708**	**30,082**
Accumulated depreciation and impairment losses								
At 1 April 2003	15,128	6,048	3,066	47,955	4,758	2,821	8,631	88,407
Depreciation charge for the period	868	284	300	2,443	13	15	147	4,070
Disposals	(1,621)	–	–	–	–	–	–	(1,621)
Disposal of subsidiaries	(14,375)	(3,045)	–	(40,374)	(925)	(1,202)	(2,255)	(62,176)
At 31 December 2003	**–**	**3,287**	**3,366**	**10,024**	**3,846**	**1,634**	**6,523**	**28,680**
Net book value								
At 31 December 2003	**–**	**–**	**717**	**182**	**46**	**272**	**185**	**1,402**
At 31 March 2003	49,299	594	920	3,921	63	288	262	55,347

(a) None of the Group's property, plant and equipment was held under finance leases as at 31 December 2003. The net book value of property, plant and equipment held under finance leases included in the total amount HK$55,347,000 as at 31 March 2003 amounted to HK$182,000.

(b) The net book value of property, plant and equipment pledged as security for the Group's bank loans, other loan and banking facilities amounted to HK$939,000 (31 March 2003: HK$54,959,000)

(c) None of the Group's property, plant and equipment was stated at valuation as at 31 December 2003.

13. LAND HELD FOR DEVELOPMENT

	Group	
	31 December 2003 HK$'000	31 March 2003 HK$'000
At cost	**3,394,457**	3,333,012
Interest capitalised in land held for development	**232,654**	192,440

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

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 December 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 December 2003 (31 March 2003: HK$163,606,000).

In a 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 December 2003, the total deposit received from the third party for the project amounted to HK$28,695,000 (31 March 2003: HK$28,695,000) which is included under non-current liabilities in the consolidated balance sheet.

14. INTERESTS IN SUBSIDIARIES

	Company	
	31 December 2003 HK$'000	31 March 2003 HK$'000
Unlisted shares, at cost	**80,708**	80,824
Less: Provision for impairment losses	**(80,708)**	(80,824)
	–	–
Amounts due from subsidiaries (note (a))	**3,088,845**	3,129,859
Amounts due to subsidiaries (note (a))	**(4,067)**	(4,071)
Less: Provision for doubtful debts	**(438,681)**	(475,912)
	2,646,097	2,649,876
	2,646,097	2,649,876

(a) During the period, the Company made advances to certain subsidiaries to finance their operating requirements.

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

(b) Particulars of the principal subsidiaries at 31 December 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 (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

14. INTERESTS IN SUBSIDIARIES (Continued)

(b) Particulars of the principal subsidiaries at 31 December 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
Liu Wan Development (BVI) Company Limited ("Liu Wan (BVI)")	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 ("Shenzhen Jin Yi Tian")	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
Sheen Grades Associates Limited	British Virgin Islands	US$1	100% (31 March 2003: Nil)	Management services to the group
深圳市融杰投資有限公司	PRC	RMB40,000,000	100% (31 March 2003: Nil)	Investment holding

* Shares held directly by the Company

** 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 (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.

14. INTERESTS IN SUBSIDIARIES (Continued)

*** 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 December 2003 which, in the opinion of the directors, principally affected the Group's results for the period 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 ASSOCIATES

	Group	
	31 December 2003 HK$'000	31 March 2003 HK$'000
Share of net assets	**224,711**	209,223

Particulars of the associates at 31 December 2003 are as follows:

Name	Country of incorporation/ establishment and operations	Nominal value of issued/ registered capital	Percentage of capital held by the Group 31 December 2003	Percentage of capital held by the Group 31 March 2003	Principal activities
Listar Properties Limited	British Virgin Islands	US$20,000,000	**49%**	49%	Investment holding
Easy-Trade Technology Services Ltd.	PRC	RMB50,000,000	**30%**	–	Leasing of POS machines and provision of information technology services

16. DEPOSIT FOR ACQUISITION OF INVESTMENTS

(a) The amount of RMB80,000,000 (equivalent to HK$75,472,000) as at 31 December 2003 represented the deposit paid for the acquisition of a 49% equity interest in 深圳市益田假日世界房地產開發有限公司(「益田假日世界」) which is an investment holding company incorporated in the PRC. 益田假日世界 holds the land use right on the land site Lot No.T308-0062 in Shenzhen with an area of approximately 22,837 square metres.

(b) The amount of HK$100,000,000 as at 31 March 2003 represented the deposit paid for the acquisition of a 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. The acquisition was completed in July 2003 for a total consideration of HK$112 million. According to an agreement dated 17 December 2003, the Group's equity interest in Yat Tai was subsequently disposed of back to the vendor for a total consideration of HK$112 million. The disposal was completed on 31 December 2003. The consideration receivable from the disposal was included in other receivables and deposits and classified as current assets as at 31 December 2003.

17. PRODUCT DEVELOPMENT COSTS

	Group	
	31 December 2003 HK$'000	31 March 2003 HK$'000
At the beginning of the period/year	**176**	8,769
Additions	–	120
Amortisation	–	(3)
Disposals	–	(8,710)
Write-off	**(27)**	–
At the end of the period/year	**149**	176

18. GOODWILL

	Group HK$'000
Gross amount	
At 1 April 2003	–
Acquisition of a subsidiary	21,699
At 31 December 2003	**21,699**
Accumulated amortisation	
At 1 April 2003	–
Amortisation for the period	181
At 31 December 2003	**181**
Carrying value	
At 31 December 2003	**21,518**
At 31 March 2003	–

19. NEGATIVE GOODWILL

	Group HK$'000
Gross amount	
At 1 April 2003 and **at 31 December 2003**	**281,767**
Accumulated amount recognised as income	
At 1 April 2003	24,654
Amount recognised as income for the period	10,566
At 31 December 2003	**35,220**
Carrying value	
At 31 December 2003	**246,547**
At 31 March 2003	257,113

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

20. INVENTORIES

	Group	
	31 December 2003 HK$'000	31 March 2003 HK$'000
Raw materials	**–**	816
Work in progress	**–**	760
Finished goods	**5,109**	5,674
Goods in transit	**–**	1,074
	5,109	8,324
Less: Provision for slow-moving and obsolete inventories	**(5,109)**	(5,101)
	–	3,223

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

21. TRADE AND BILLS RECEIVABLES

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

	Group	
	31 December 2003 HK$'000	31 March 2003 HK$'000
0-90 days	**38**	52,783
91-180 days	**–**	1,033
181-270 days	**–**	3,246
271-360 days	**5**	1,341
Over 360 days	**15,668**	12,758
Less: Provision	**(15,673)**	(17,488)
	38	53,673

The Group's sales are entered into on credit terms ranging from 30 to 60 days. During the period ended 31 December 2003 and the year ended 31 March 2003, 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 December 2003, the ageing analysis of the trade and bills payables was as follows:

	Group	
	31 December 2003 HK$'000	31 March 2003 HK$'000
0-90 days	–	1,270
91-180 days	–	774
181-270 days	–	26
271-360 days	**6**	73
Over 360 days	**2,150**	2,846
	2,156	4,989

23. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

Included in the amount due to ultimate holding company is an amount of HK$210,000,000 (31 March 2003: Nil) which bears interest at 1% per annum. Except for this, the balance with ultimate holding company is unsecured, interest-free and has no fixed repayment terms.

24. AMOUNTS DUE TO FELLOW SUBSIDIARIES

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

25. BANK LOANS AND OVERDRAFTS (SECURED)

	Group	
	31 December 2003 HK$'000	31 March 2003 HK$'000
Bank overdrafts	**272**	272
Restructure loan (note)	–	109,801
Bank loans	**378,594**	412,043
	378,866	522,116
Less: Current portion due within one year included under current liabilities	**(68,007)**	(62,504)
	310,859	459,612

Note: In a 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 subsequently repaid following the disposal of certain land and buildings by the Group.

On 27 October 2003, the remaining balance of the restructure loan was sold by the Bank to Sincere Development Inc. ("Sincere"), an independent third party, with the same terms. The balance due to Sincere was therefore classified as other loan (note 26) and included under non-current liabilities as at 31 December 2003. In addition, the Company provided a guarantee to the Bank for the payment obligations of the loan due by Sincere to the Bank as a result of its purchase of the restructure loan from the Bank. Such guarantee provided by the Company and remained outstanding at 31 December 2003 amounted to HK$65 million was included in the Company's contingent liabilities in note 36.

26. OTHER LOAN (SECURED)

The secured loan bears interest at 1% over the best lending rate per annum, compounded monthly. The loan will be repaid on or before 14 November 2006.

27. FINANCE LEASES

	Group	
	31 December 2003 HK$'000	31 March 2003 HK$'000
Obligations under finance leases	–	195
Less: Current portion due within one year included under current liabilities	–	(195)
	–	–

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

	31 December 2003 HK$'000	31 March 2003 HK$'000
Due within one year	–	195
Due in the second to fifth years	–	–
	–	195

28. CASH AT BANKS AND IN HAND

Included in the cash at banks and in hand is an amount of approximately HK$196,000 (31 March 2003: HK$344,000), representing Renminbi deposits placed with banks in the PRC by the Group.

Renminbi is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

29. SHARE CAPITAL

	Number of shares of HK$0.10 each	Number of shares of HK$0.01 each	HK$'000
Authorised:			
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)	–	269,386,237,647	2,693,862
At 31 March 2003 and **at 31 December 2003**	**–**	**500,000,000,000**	**5,000,000**
Issued and fully paid:			
At 1 April 2002	29,931,804,183		2,993,180
Reduction of nominal value (note)	(29,931,804,183)	29,931,804,183	(2,693,862)
At 31 March 2003 and **at 31 December 2003**	**–**	**29,931,804,183**	**299,318**

Note: 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$2,306,137,623 divided into 230,613,762,353 shares of HK$0.01 each with effect from 2 May 2002. The reduction was 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 the Company. By an ordinary resolution passed on 30 April 2002, the authorised share capital of the Company was increased from HK$2,306,137,623 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 then existing shares of the Company.

Share options

The Company operates a share option scheme, further details of which are set out in the Report of the Directors on pages 17 and 18.

During the period/year, no share option had been granted under the share option scheme.

As at 31 December 2003, there were no options outstanding under the share option scheme operated by the Company.

30. 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 2002	96,069	19,467	12,465	(222)	(765,456)	(637,677)
Reduction of capital (note 29)	–	–	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 and at 1 April 2003	96,069	32	1,934,955	8,108	25,709	2,064,873
Release on disposal of properties	–	(32)	–	–	32	–
Exchange differences on translation of the financial statements of foreign subsidiaries	–	–	–	(933)	–	(933)
Release upon disposal of subsidiaries	–	–	(13,077)	459	–	(12,618)
Profit for the period	–	–	–	–	63,545	63,545
At 31 December 2003	**96,069**	**–**	**1,921,878**	**7,634**	**89,286**	**2,114,867**
The reserves are retained as follows:						
Company and subsidiaries	96,069	–	1,921,878	7,634	90,613	2,116,194
Associates	–	–	–	–	(1,327)	(1,327)
At 31 December 2003	**96,069**	**–**	**1,921,878**	**7,634**	**89,286**	**2,114,867**
Company and subsidiaries	96,069	32	1,934,955	8,108	26,486	2,065,650
Associates	–	–	–	–	(777)	(777)
At 31 March 2003	96,069	32	1,934,955	8,108	25,709	2,064,873

30. RESERVES (Continued)

Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2002	96,069	50,010	(768,845)	(622,766)
Reduction of capital (note 29)	–	1,921,847	772,015	2,693,862
Loss for the year	–	–	(6,375)	(6,375)
At 31 March 2003 and at 1 April 2003	96,069	1,971,857	(3,205)	2,064,721
Loss for the period	–	–	(2,385)	(2,385)
At 31 December 2003	**96,069**	**1,971,857**	**(5,590)**	**2,062,336**

Note: 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 Bermuda Companies Act, the contributed surplus is distributable to the shareholders under certain circumstances.

31. DEFERRED TAXATION

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

	Group	
	31 December 2003 HK$'000	31 March 2003 HK$'000
Tax effect of temporary differences attributable to accelerated depreciation allowances	**790**	790

At 31 December 2003, the amount of unrecognised deferred tax asset in respect of unused tax losses is as follows:

	Group	
	31 December 2003 HK$'000	31 March 2003 HK$'000
At 1 April	**73,202**	71,825
Effect of change in tax rate	**6,859**	–
Amount utilised during the period/year	**811**	1,377
At 31 December/March	**80,872**	73,202

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams. The tax losses will not expire under current tax legislation.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Net assets acquired:		
Interest in an associate	**16,038**	–
Goodwill arising on consolidation	**21,699**	–
	37,737	–
Satisfied by cash consideration	**37,737**	–

(b) Disposal of subsidiaries

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Net assets disposed of:		
Property, plant and equipment	**49,031**	261
Land held for development	**–**	21,086
Inventories	**1,118**	1,753
Trade and other receivables	**54,585**	1,068
Amounts due from fellow subsidiaries	**239**	–
Cash at banks and in hand	**377**	900
Amounts due to fellow subsidiaries	**(158,176)**	–
Trade and other payables	**(26,473)**	(14,858)
Provision for tax	**(54)**	–
Bank loans and overdrafts	**(23,364)**	–
	(102,717)	10,210
Goodwill written off on disposal of subsidiaries	**–**	3,553
Reserves released upon disposal of subsidiaries:		
– Capital reserve	**(13,077)**	643
– Exchange reserve	**459**	(181)
Gain on disposal of subsidiaries	**53,421**	9,736
Waiver of amounts due to fellow subsidiaries	**158,176**	–
	96,262	23,961

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

(b) Disposal of subsidiaries (Continued)

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Satisfied by:		
Cash consideration	–	8,204
Consideration receivable included in other receivables	**70,050**	15,000
Waiver of amount due to a creditor	–	757
Assignment of other receivables to a subsidiary	**26,212**	–
	96,262	23,961

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

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Cash consideration	–	8,204
Cash at banks and in hand disposed of	**(377)**	(900)
Bank loans and overdrafts disposal of	**23,364**	–
	22,987	7,304

(c) Major non-cash transactions

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.

The consideration of HK$70,050,000 for the disposal of subsidiaries during the period ended 31 December 2003 was included in other receivables. The disposal was also satisfied by the assignment of a subsidiary's receivable at a consideration of HK$1 to another subsidiary.

During the period, the Group disposed of certain property, plant and equipments. As at 31 December 2003, part of the consideration of HK$2.5 million was not yet due for settlement and included in other receivables.

33. 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 Schemes Ordinance"). With effect from 1 December 2000, a new scheme (the "MPF Scheme") was also set up under the MPF Schemes Ordinance for existing staff who opted 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 the 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.

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 period/year amounted to HK$116,000 (year ended 31 March 2003: HK$131,000). No forfeited contributions in respect of the ORSO Scheme (year ended 31 March 2003: HK$312,000) were utilised during the period/year leaving Nil (31 March 2003: Nil) available as at 31 December 2003 to reduce future contributions.

No contributions payable as at 31 December 2003 (31 March 2003: HK$28,000) to the ORSO Scheme and the MPF Scheme are included in other payables.

34. 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:

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Fees	–	340
Other emoluments:		
– basic salaries, other allowances and benefits in kind	–	–
	–	340

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

(a) Directors' emoluments (Continued)

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

	Number of directors			
	Executive directors		Non-executive directors	
	Period from 1 April 2003 to 31 December 2003	Year ended 31 March 2003	**Period from 1 April 2003 to 31 December 2003**	Year ended 31 March 2003
HK$Nil– HK$1,000,000	**3**	3	**4**	5

No directors waived or agreed to waive any emoluments in respect of the period/year ended 31 December 2003/ 31 March 2003.

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, none (year ended 31 March 2003: none) is a director of the Company. The five (year ended 31 March 2003: 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:

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Basic salaries, other allowances and benefits in kind	**1,703**	2,513
Pension contributions	**45**	60
	1,748	2,573

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

(b) Five highest paid individuals (Continued)

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

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
HK$Nil – HK$1,000,000	**5**	5

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

35. COMMITMENTS

(a) Capital commitments

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

	31 December 2003 HK$'000	31 March 2003 HK$'000
Contracted but not provided for	**301,504**	22,355

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

(b) Commitments under operating leases

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

	Land and buildings	
	31 December 2003 HK$'000	31 March 2003 HK$'000
Within one year	**15**	83

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

36. CONTINGENT LIABILITIES

	31 December 2003 HK$'000	31 March 2003 HK$'000
Guarantees given in connection with credit facilities granted to third parties	**96,254**	37,037

At 31 December 2003 and 31 March 2003, the Company had contingent liabilities in respect of the unlimited corporate guarantee given to its subsidiaries.

37. RELATED PARTY TRANSACTIONS

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

Balances with ultimate holding company and fellow subsidiaries

As at 31 December 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, detailed terms of which are set out in notes 23 and 24.

38. CREDIT FACILITIES

As at 31 December 2003, the Group's credit facilities were supported by the following:

(i) fixed charges over the plant and equipment (31 March 2003: leasehold land and buildings and other property, plant and equipment) of the Group with an aggregate net book value of approximately HK$939,000 (31 March 2003: HK$54,959,000);

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

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

(vi) the land held for development with Land Lot No. K708-5 in Liu Wan (see note 13); and

(vii) all sales proceeds from sale of the properties situated on Land Lot No. K708-5 in Liu Wan (see note 13).

39. PENDING LITIGATION

In a prior year, Team Concepts Marketing Limited, a subsidiary of the Company, issued a proceedings 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.

40. POST BALANCE SHEET EVENTS

(a) On 29 December 2003, the Company and Sino-i jointly announced that Robina Profits Limited ("Robina"), a wholly owned subsidiary of Sino-i, and the Company have entered into a subscription agreement relating to the subscription by Robina of the convertible loan notes to be issued by the Company in an aggregate principal amount of HK$200,000,000 at a consideration of the same amount.

On the same date, the Company and certain substantial shareholders of Sino-i (the "Vendors") entered into a sale and purchase agreement, under which the Company agreed to acquire, following the completion of Sino-i's proposed capital reduction and distribution, from the Vendors a total of 12,515,795,316 shares in Sino-i at a consideration of approximately HK$976,334,000, representing a price of approximately HK$0.078 each. Half of the consideration of approximately HK$488,167,000 will be satisfied by 27,120,395,500 new shares of the Company, and the remaining half of the consideration will be satisfied by cash to be paid on the date falling 60 months after the completion or any other later date to be mutually agreed by the Company and the Vendors.

Subsequent to the balance sheet date, the above transactions (as more detailed in the circulars dated 23 March 2004 issued by the Company and Sino-i) were approved by the respective shareholders of the Company and Sino-i on 16 April 2004.

(b) On 21 April 2004, Shenzhen Liu Wan, a wholly-owned subsidiary of the Company, entered into a formal sale and purchase agreement to finalise the detailed terms of the preliminary agreement entered into on 16 December 2003 for the acquisition of a 49% equity interest in 益田假日世界 (as detailed in note 16(a)).

41. CHANGE OF FINANCIAL YEAR END AND COMPARATIVE FIGURES

The Company changed its financial year end from 31 March to 31 December in order to coincide with the financial year end of its existing subsidiaries in the PRC. The financial statements in the current period cover a period of 9 months from 1 April 2003 to 31 December 2003 and therefore may not be comparable with the figures presented in the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes thereon for the prior year.

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 24 to 69 were approved by the board of directors on 29 April 2004.