

## NOTES TO THE FINANCIAL STATEMENTS

*For the period from 1st May 2003 to 31st March 2004*

### 1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the trading of mobile phones and spare parts. During the year ended 30th April 2003, the Group ceased its operations of manufacturing and trading of office furniture and building materials and supply of kitchen cabinets.

During the period, the Company changed its financial year end date from 30th April to 31st March. Therefore, the financial statements for the current period cover an eleven-month period from 1st May 2003 to 31st March 2004. The comparative amounts shown for the consolidated income statement, consolidated cash flow statement and related notes cover a twelve-month period from 1st May 2002 to 30th April 2003 and therefore may not be comparable with amounts shown for the current period.

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

The financial statements are prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"), the term of which includes the Statements of Standard Accounting Practice ("SSAP") and interpretations, issued by the Hong Kong Society of Accountants ("HKSA"). In the current period, the Group has adopted, for the first time, SSAP 12 (Revised) "Income taxes" issued by the HKSA.

The principal effect of the adoption of SSAP12 (Revised) is in relation to deferred tax. Under the former SSAP 12, 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 those timing differences were not expected to reverse in the foreseeable future. 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. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment is required.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*For the period from 1st May 2003 to 31st March 2004*

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date of each period/year.

The results of subsidiaries acquired or disposed of during the period/year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

#### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight line basis over its useful economic life.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

#### **Interests in associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the period/year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)**For the period from 1st May 2003 to 31st March 2004***3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost less any identified impairment loss.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period/year.

**Revenue recognition**

Sales of goods are recognised when goods are delivered and title has been passed.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Management fee and service fee income are recognised when the services are rendered.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives on a straight-line basis at the following rates per annum:

Leasehold land and buildings	2%
Leasehold improvement	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%-30%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*For the period from 1st May 2003 to 31st March 2004*

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### **Operating leases**

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the respective terms of leases.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted average method.

#### **Foreign currencies**

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange included in the net profit or loss for the period/year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period/year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### **Taxation**

Taxation represents the sum of the tax currently payable and deferred tax.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*For the period from 1st May 2003 to 31st March 2004*

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Taxation** *(continued)*

The tax currently payable is based on taxable profit for the period/year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount 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 taxable 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.

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 profit will be available to allow all or part of the asset to be recovered.

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 in 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.

#### **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the period in which they are incurred.

#### **Retirement benefit costs**

Payments to Mandatory Provident Fund Scheme are charged as an expense as they fall due.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**4. TURNOVER**

Turnover represents the amounts received and receivable for goods sold to outside customers, less returns and allowances.

**5. GEOGRAPHICAL AND BUSINESS SEGMENTS****Geographical segments**

The Group's operations and assets are located in Hong Kong and elsewhere in the People's Republic of China.

Segment information of the Group by location of customers is presented below:

**For the period from 1st May 2003 to 31st March 2004**

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>The People's Republic of China excluding Hong Kong (the "PRC")</b> <i>HK\$'000</i>	<b>Others</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
TURNOVER	562,130	1,995,652	37,205	2,594,987
RESULT				
Segment result	25,903	91,961	1,714	119,578
Amortisation of goodwill				(28,398)
Interest income				1,817
Unallocated corporate expenses				(13,965)
Profit from operations				79,032
Finance costs				(4,671)
Share of results of associates				8,574
Profit before taxation				82,935
Taxation charge				(16,598)
Profit before minority interests				66,337
Minority interests				(5,077)
Profit for the period				61,260

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**5. GEOGRAPHICAL AND BUSINESS SEGMENTS** (continued)**Geographical segments** (continued)

At 31st March 2004

**BALANCE SHEET**

	Hong Kong HK\$'000	The PRC HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>				
Segment assets	184,801	397,012	69	581,882
Unallocated corporate assets				632,497
				<u>1,214,379</u>
<b>LIABILITIES</b>				
Unallocated corporate liabilities				<u>669,891</u>

**OTHER INFORMATION**

	Hong Kong HK\$'000	The PRC HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditure	–	–	–	235	235
Depreciation and amortisation	–	–	–	29,050	29,050

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)**For the period from 1st May 2003 to 31st March 2004***5. GEOGRAPHICAL AND BUSINESS SEGMENTS** *(continued)***Geographical segments** *(continued)*

For the year ended 30th April 2003

	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	870	2,698,914	–	2,699,784
RESULT				
Segment result	(459)	1,086	–	627
Amortisation of goodwill				(28,109)
Interest income				6,064
Unallocated corporate expenses				(12,847)
Loss from operations				(34,265)
Finance costs				(7,954)
Share of results of associates				343
Gain on disposal of discontinued operations				28,544
Loss before minority interests				(13,332)
Taxation credit				1,831
Loss before minority interests				(11,501)
Minority interests				412
Loss for the year				(11,089)



**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**5. GEOGRAPHICAL AND BUSINESS SEGMENTS** (continued)**Geographical segments** (continued)

At 30th April 2003

## BALANCE SHEET

	Hong Kong HK\$'000	The PRC HK\$'000	Others HK\$'000	Consolidated HK\$'000	
<b>ASSETS</b>					
Segment assets	821	495,029	70	495,920	
Unallocated corporate assets				<u>735,207</u>	
Consolidated total assets				<u>1,231,127</u>	
<b>LIABILITIES</b>					
Segment liabilities	–	32,013	–	32,013	
Unallocated corporate liabilities				<u>771,919</u>	
Consolidated total liabilities				<u>803,932</u>	
<b>OTHER INFORMATION</b>					
	Hong Kong HK\$'000	The PRC HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditure	–	–	–	4,450	4,450
Depreciation and amortisation	–	–	–	37,765	<u>37,765</u>

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)**For the period from 1st May 2003 to 31st March 2004***5. GEOGRAPHICAL AND BUSINESS SEGMENTS** *(continued)***Business segments**

The Group is principally engaged in the trading of mobile phones and spare parts ("mobile phones and spare parts"). During the year ended 30th April 2003, the Group discontinued the manufacturing and trading of office furniture and building materials ("office furniture and building materials") and supply of kitchen cabinets ("kitchen cabinets").

No business segment analysis is presented for the current period as management considers the Group operates in one single business segment. The business segment analysis for the prior year is presented below:

For the year ended 30th April 2003

	Continuing operation	Discontinued operations		
	Mobile phones and spare parts	Office furniture and building materials	Kitchen cabinets	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2,530,769	168,145	870	2,699,784
SEGMENT RESULT	8,984	(7,898)	(459)	627

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**5. GEOGRAPHICAL AND BUSINESS SEGMENTS** (continued)**Business segments** (continued)

At 30th April 2003

## BALANCE SHEET

	Continuing operation	Discontinued operations		
	Mobile phones and spare parts <i>HK\$'000</i>	Office furniture and building materials <i>HK\$'000</i>	Kitchen cabinets <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>ASSETS</b>				
Segment assets	1,117,376	–	–	1,117,376
Interests in associates	35,680	–	–	35,680
Unallocated corporate assets				78,071
Consolidated total assets				<u>1,231,127</u>

## OTHER INFORMATION

	Continuing operation	Discontinued operations		
	Mobile phones and spare parts <i>HK\$'000</i>	Office furniture and building materials <i>HK\$'000</i>	Kitchen cabinets <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital expenditure	1,388	3,062	–	<u>4,450</u>

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)**For the period from 1st May 2003 to 31st March 2004***6. OTHER OPERATING INCOME**

	<b>THE GROUP</b>	
	<b>1.5.2003 to 31.3.2004 HK\$'000</b>	1.5.2002 to 30.4.2003 HK\$'000
Interest income	<b>1,817</b>	6,064
Rental income	<b>105</b>	–
Service fee income	–	13,447
Sundry income	<b>172</b>	307
	<b>2,094</b>	19,818

**7. PROFIT (LOSS) FROM OPERATIONS**

	<b>THE GROUP</b>	
	<b>1.5.2003 to 31.3.2004 HK\$'000</b>	1.5.2002 to 30.4.2003 HK\$'000
Profit (loss) from operations has been arrived at after charging (crediting):		
Amortisation of goodwill	<b>28,398</b>	28,109
Auditors' remuneration	<b>776</b>	770
Depreciation	<b>652</b>	9,656
Exchange loss, net	<b>15,796</b>	2,907
Loss (gain) on disposal of property, plant and equipment	<b>23</b>	(475)
Operating leases rentals paid in respect of rented premises	<b>741</b>	4,331
Reversal of allowance for bad and doubtful debts	<b>(936)</b>	–
Staff costs including directors' emoluments <i>(note 9)</i>	<b>13,778</b>	50,085

Included in staff costs is contributions to retirement benefit scheme amounting to approximately HK\$202,000 (2003: HK\$735,000).

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**8. FINANCE COSTS**

	<b>THE GROUP</b>	
	<b>1.5.2003 to 31.3.2004 HK\$'000</b>	1.5.2002 to 30.4.2003 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	<b>2,501</b>	5,620
Other borrowing costs	<b>2,170</b>	2,334
	<b>4,671</b>	7,954

Note: The other borrowing costs of approximately HK\$2,334,000 for the year ended 30th April 2003 have been reclassified from administrative expenses as stated in the prior year's financial statements to conform with current period's presentation.

**9. DIRECTORS' EMOLUMENTS**

	<b>1.5.2003 to 31.3.2004 HK\$'000</b>	1.5.2002 to 30.4.2003 HK\$'000
Directors		
Fees:		
Executive directors	–	–
Non-executive director	–	–
Independent non-executive directors	–	–
	–	–
Other emoluments (executive directors):		
Salaries and other benefits	<b>5,367</b>	6,111
Retirement benefit scheme contributions	<b>33</b>	86
Total emoluments	<b>5,400</b>	6,197

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**9. DIRECTORS' EMOLUMENTS** (continued)

Emoluments of the directors were within the following bands:

	<b>1.5.2003 to 31.3.2004 Number of directors</b>	1.5.2002 to 30.4.2003 Number of directors
Nil to HK\$1,000,000	<b>4</b>	5
HK\$1,000,001 - HK\$1,500,000	<b>1</b>	1
HK\$1,500,001 - HK\$2,000,000	<b>1</b>	1
HK\$2,000,001 - HK\$2,500,000	<b>1</b>	1

No director has waived emoluments in respect of the period from 1st May 2003 to 31st March 2004 and the year ended 30th April 2003.

**10. EMPLOYEES' EMOLUMENTS**

Of the five individuals with the highest emoluments in the Group, three (year ended 30th April 2003: three) were directors of the Company, details of whose emoluments are set out in note 9. The emoluments of the remaining two (year ended 30th April 2003: two) individuals were as follows:

	<b>1.5.2003 to 31.3.2004 HK\$'000</b>	1.5.2002 to 30.4.2003 HK\$'000
Salaries and other benefits	<b>2,387</b>	2,450
Retirement benefit scheme contributions	<b>22</b>	26
Bonus	<b>217</b>	76
	<b>2,626</b>	2,552

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**10. EMPLOYEES' EMOLUMENTS** (continued)

Their emoluments were within the following bands:

	<b>1.5.2003 to 31.3.2004 Number of individuals</b>	1.5.2002 to 30.4.2003 Number of individuals
Nil - HK\$1,000,000	<b>1</b>	1
HK\$1,500,001 - HK\$2,000,000	<b>1</b>	1

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

**11. TAXATION**

	<b>THE GROUP</b>	
	<b>1.5.2003 to 31.3.2004 HK\$'000</b>	1.5.2002 to 30.4.2003 HK\$'000
The taxation charge (credit) comprises:		
Hong Kong Profits Tax		
Current period/year	<b>15,345</b>	30
Under(over)provision in respect of prior years	<b>2,788</b>	(4,520)
	<b>18,133</b>	(4,490)
Deferred tax credit for the period (note 31)	<b>(171)</b>	–
Share of taxation of associates	<b>(1,364)</b>	2,659
	<b>16,598</b>	(1,831)

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the period/year.

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)**For the period from 1st May 2003 to 31st March 2004***11. TAXATION** *(continued)*

The taxation charge (credit) for the period/year can be reconciled to the profit (loss) before taxation per the income statement as follows:

	<b>1.5.2003 to 31.3.2004 HK\$'000</b>	1.5.2002 to 30.4.2003 HK\$'000
Profit (loss) before taxation	<b>82,935</b>	(13,332)
Tax at the Hong Kong Profits Tax rate of 17.5% (2003: 16.0%)	<b>14,514</b>	(2,133)
Tax effect of expenses not deductible for tax purpose	<b>6,527</b>	5,423
Tax effect of income not taxable for tax purpose	<b>(3,098)</b>	(4,272)
Tax effect of tax losses not recognised	–	411
Tax effect of utilisation of tax losses previously not recognised	–	(97)
Tax effect of share of results of associates	<b>(2,865)</b>	2,604
Under (over) provision in respect of prior years	<b>2,788</b>	(4,520)
Others	<b>(1,268)</b>	753
Taxation charge (credit) for the period/year	<b>16,598</b>	(1,831)



**NOTES TO THE FINANCIAL STATEMENTS** *(continued)**For the period from 1st May 2003 to 31st March 2004***12. EARNING (LOSS) PER SHARE**

	<b>THE GROUP</b>	
	<b>1.5.2003 to 31.3.2004 HK\$'000</b>	1.5.2002 to 30.4.2003 HK\$'000
Earning (loss) for the purpose of earning (loss) per share	<b>61,260</b>	(11,089)
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic earning (loss) per share	<b>595,379,807</b>	195,669,510
Effect of dilutive potential ordinary shares:		
– Right issue	<b>2,022,761</b>	N/A
Weighted average number of ordinary shares for the purpose of diluted earning (loss) per share	<b>597,402,568</b>	195,669,510

The weighted average number of ordinary shares for the purpose of basic earning (loss) per share has been adjusted for the issue of ordinary shares under an open offer on 14th May 2003 as referred to note 26(iv).

The computation of diluted earning per share for the period does not assume the conversion of the convertible notes outstanding during the period since their exercise would result in an increase in earning per share.

No diluted loss per share was presented for the prior year as the exercise of share options and convertible notes would be anti-dilutive.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**13. PROPERTY, PLANT AND EQUIPMENT**

	<b>Leasehold land and buildings</b> <i>HK\$'000</i>	<b>Leasehold improvement</b> <i>HK\$'000</i>	<b>Furniture, fixtures and office equipment</b> <i>HK\$'000</i>	<b>Motor vehicles</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>THE GROUP</b>					
<b>COST</b>					
At 1st May 2003	13,980	613	1,095	551	16,239
Additions	–	–	235	–	235
Disposals	–	–	(4)	(50)	(54)
<b>At 31st March 2004</b>	<b>13,980</b>	<b>613</b>	<b>1,326</b>	<b>501</b>	<b>16,420</b>
<b>DEPRECIATION</b>					
At 1st May 2003	289	335	318	25	967
Charge for the period	256	74	225	97	652
Eliminated on disposals	–	–	(3)	(13)	(16)
<b>At 31st March 2004</b>	<b>545</b>	<b>409</b>	<b>540</b>	<b>109</b>	<b>1,603</b>
<b>NET BOOK VALUES</b>					
<b>At 31st March 2004</b>	<b>13,435</b>	<b>204</b>	<b>786</b>	<b>392</b>	<b>14,817</b>
At 30th April 2003	13,691	278	777	526	15,272

The leasehold land and buildings are situated in Hong Kong and held under long leases.

Leasehold land and buildings include an asset carried at a cost of HK\$2,800,000 (30th April 2003: nil) with accumulated depreciation of HK\$117,000 (30th April 2003: nil) held under an operating lease. Depreciation charged on the asset in the period amounted to HK\$51,000 (year ended 30th April 2003: nil).

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**14. GOODWILL**

	<b>THE GROUP</b> <i>HK\$'000</i>
COST	
At 1st May 2003 and 31st March 2004	309,797
AMORTISATION	
At 1st May 2003	36,346
Charge for the period	28,398
<b>At 31st March 2004</b>	<b>64,744</b>
NET BOOK VALUES	
<b>At 31st March 2004</b>	<b>245,053</b>
At 30th April 2003	273,451

Goodwill is amortised over its estimated useful life of ten years.

**15. INVESTMENTS IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>31.3.2004</b> <i>HK\$'000</i>	30.4.2003 <i>HK\$'000</i>
Unlisted shares, at cost	<b>88,000</b>	88,000
Amounts due from subsidiaries	<b>449,033</b>	430,444
	<b>537,033</b>	518,444

The amounts due from subsidiaries are unsecured and interest free. Repayment of the amounts will not be demanded within twelve months from the balance sheet date; accordingly they are shown as non-current.

Details of the Company's principal subsidiaries as at 31st March 2004 are set out in note 42.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**16. INTERESTS IN ASSOCIATES**

	<b>THE GROUP</b>	
	<b>31.3.2004</b> <i>HK\$'000</i>	30.4.2003 <i>HK\$'000</i>
Share of net assets	<b>44,986</b>	35,048
Amount due from an associate	–	632
	<b>44,986</b>	35,680

The amount due from an associate is unsecured and interest free. Repayment of the amount will not be demanded within twelve months from the balance sheet date; accordingly it is shown as non-current.

Details of the Group's associates at 31st March 2004 are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Paid up issued ordinary share capital	Proportion of nominal value of issued capital held indirectly by the Company	Principal activities
Ezze Mobile Tech., Inc.	Incorporated	Korea	5,180,000 ordinary shares of Korean Won 500 each	33.98%	Manufacturing of communication equipment and providing communication solutions
Ezze Mobile Tech. USA, Inc.	Incorporated	The United States of America	2,000,000 ordinary shares of US\$0.1 each	33.98%	Trading of communication equipment

**17. INVESTMENT SECURITIES****THE GROUP**

The amount represents the Group's approximately 9.65% equity interest in the registered capital of Shanghai Green Cell Energy S & T Co. Ltd., which is established in the PRC and whose principal activities are manufacture and trading of Lithium polymer and other battery.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**18. NOTES RECEIVABLE**

	<b>THE GROUP</b>	
	<b>31.3.2004</b>	30.4.2003
	<b>HK\$'000</b>	HK\$'000
Notes receivable	<b>7,239</b>	12,411
Less: Amount due within one year (shown under current assets)	<b>(7,239)</b>	–
Amount due after one year	<b>–</b>	12,411

The notes receivable have been purchased for securing certain letter of credit facilities granted to the Group by a financial institution. The notes receivable are unsecured and carry interest at 5.72% to 6.43% (30th April 2003: 5.95% to 6.10%) per annum.

**19. INVENTORIES****THE GROUP**

Inventories represent merchandises held for resale. All the inventories were carried at cost at the balance sheet date.

**20. TRADE RECEIVABLES**

The Group maintains a defined credit policy with credit period up to 120 days. The following is an aged analysis of trade receivables at the balance sheet date:

	<b>THE GROUP</b>	
	<b>31.3.2004</b>	30.4.2003
	<b>HK\$'000</b>	HK\$'000
Current - 60 days	<b>433,125</b>	149,125
61 - 120 days	<b>25,238</b>	23,786
121 - 180 days	–	–
Over 180 days	–	21
	<b>458,363</b>	172,932

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**20. TRADE RECEIVABLES** (continued)

Included in trade receivables is an amount of approximately HK\$123,132,000 (30th April 2003: nil) receivable from an agent of China Kejian Corporation Limited ("China Kejian"). Mr. Hou Ziqiang and Mr. Kok Kin Hok, directors of the Company, are the chairman and the managing director of China Kejian respectively. They have significant control on the day-to-day operations of China Kejian. The amount is unsecured, interest free and repayable in accordance with general trading terms.

**21. AMOUNTS DUE FROM RELATED COMPANIES**

Name of related company	THE GROUP		THE COMPANY	
	31.3.2004 HK\$'000	30.4.2003 HK\$'000	31.3.2004 HK\$'000	30.4.2003 HK\$'000
China Kejian and its related company (note i)	123,519	320,324	–	–
Lamex China Limited (note ii)	–	2,664	–	2,664
	<b>123,519</b>	<b>322,988</b>	<b>–</b>	<b>2,664</b>

Notes:

- (i) The amounts are unsecured, interest free and repayable on demand.
- (ii) Lamex China Limited is a company in which Mr. Kok Kin Hok had beneficial interest. The amount due from Lamex China Limited was unsecured, carried interest at 2% over the prime rate from time to time quoted by The Hong Kong and Shanghai Banking Corporation Limited per annum and was repaid during the period. The maximum amount outstanding during the period was approximately HK\$2,825,000.

**22. TRADE AND BILLS PAYABLES**

The following is an aged analysis of trade and bill payables at the balance sheet date:

	THE GROUP	
	31.3.2004 HK\$'000	30.4.2003 HK\$'000
Current - 60 days	579,038	572,129
61 - 120 days	–	–
121 - 180 days	–	–
Over 180 days	–	141
	<b>579,038</b>	<b>572,270</b>

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)**For the period from 1st May 2003 to 31st March 2004***23. AMOUNTS DUE TO DIRECTORS AND A RELATED COMPANY**

The amounts due to directors and China Kejian were unsecured, interest free and were repaid during the period.

**24. AMOUNT DUE TO AN ASSOCIATE****THE GROUP**

The amount is unsecured, interest-free and has no fixed repayment terms.

**25. SECURED BANK BORROWINGS**

	<b>THE GROUP</b>	
	<b>31.3.2004</b>	30.4.2003
	<b>HK\$'000</b>	HK\$'000
Bank loans	<b>4,631</b>	16,068
Trust receipt loans	<b>54,202</b>	100,014
	<b>58,833</b>	116,082
The borrowings are repayable as follows:		
Within one year	<b>55,669</b>	111,848
In the second year	<b>1,510</b>	–
In the third to fifth years inclusive	<b>1,654</b>	4,234
	<b>58,833</b>	116,082
Less: Amount due for settlement within one year (shown under current liabilities)	<b>(55,669)</b>	(111,848)
Amount due after one year	<b>3,164</b>	4,234

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)**For the period from 1st May 2003 to 31st March 2004***26. SHARE CAPITAL**

	<b>Authorised</b>			
	<b>Ordinary shares of HK\$0.01 each</b>		<b>Ordinary shares of HK\$0.1 each</b>	
	<b>No. of shares</b>	<b>Nominal amount HK\$'000</b>	<b>No. of shares</b>	<b>Nominal amount HK\$'000</b>
At 1st May 2002	–	–	8,000,000,000	800,000
Capital Restructuring <i>(note (iii))</i>	80,000,000,000	800,000	(8,000,000,000)	(800,000)
<b>At 30th April 2003 and 31st March 2004</b>	<b>80,000,000,000</b>	<b>800,000</b>	<b>–</b>	<b>–</b>
	<b>Issued and fully paid</b>			
	<b>Ordinary shares of HK\$0.01 each</b>		<b>Ordinary shares of HK\$0.1 each</b>	
	<b>No. of shares</b>	<b>Nominal amount HK\$'000</b>	<b>No. of shares</b>	<b>Nominal amount HK\$'000</b>
At 1st May 2002	–	–	5,095,560,175	509,556
Capital Restructuring <i>(notes (i) &amp; (ii))</i>	101,911,203	1,019	(5,095,560,175)	(509,556)
At 30th April 2003	101,911,203	1,019	–	–
Issue of ordinary shares under an open offer <i>(note (iv))</i>	509,556,015	5,096	–	–
<b>At 31st March 2004</b>	<b>611,467,218</b>	<b>6,115</b>	<b>–</b>	<b>–</b>



## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*For the period from 1st May 2003 to 31st March 2004*

### 26. SHARE CAPITAL *(continued)*

*Notes:*

Pursuant to a special resolution passed on 17th April 2003, a capital restructuring (the "Capital Restructuring") was undertaken on 18th April 2003 which involved:

- (i) Share consolidation on the basis that every fifty issued ordinary shares of HK\$0.1 each in the capital of the Company were consolidated into one consolidated share of HK\$5.0 each (the "Share Consolidation");
- (ii) The nominal value of each of the consolidated share was reduced from HK\$5.0 to HK\$0.01 each by cancelling HK\$4.99 paid up on each issued consolidated share. The credit of approximately HK\$508,537,000 arising in the books of the Company from such capital reduction was credited to the contributed surplus account;
- (iii) Every ordinary share of HK\$0.1 each in the unissued share capital of the Company was subdivided into ten shares of HK\$0.01 each; and
- (iv) On 29th January 2003, a proposal of an open offer on the basis of an assured allotment of five offer shares for every share held by the qualifying shareholders as referred to the proposal was announced. Upon the close of the open offer on 14th May 2003, the issued share capital of the Company was increased from 101,911,203 to 611,467,218 ordinary shares of HK\$0.01 each by issuing 509,556,015 new ordinary shares.

### 27. SHARE OPTIONS

Pursuant to the Company's share option schemes adopted on 4th November 1992 and 25th February 1999 (the "Old Option Schemes"), the Company may grant options to employees (including directors) of the Group to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company. The options granted by the share option schemes are exercisable within four to ten years from the date of grant.

The Old Option Schemes were terminated by the Company on 13th March 2002. Upon the termination, no further options can be granted thereunder but in all other respects, the provisions of the Old Options Schemes shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

Pursuant to a new share option scheme (the "New Option Scheme") which was adopted by the Company on 13th March 2002, the Company may grant options to employees (including directors) of the Group to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company. A nominal consideration of HK\$1.00 is payable by the grantee on acceptance of an option. The options granted by the share option scheme are exercisable within four to ten years from the date of grant.

Pursuant to the Old Option Schemes of the Company, as at 1st May 2002, 239,724,000 share options were granted with exercise prices ranging from HK\$0.10 to HK\$0.3164 to certain employees including the executive directors of the Company. The holders of the share options were entitled to subscribe for shares of HK\$0.1 each of the Company.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**27. SHARE OPTIONS** (continued)

As a result of the Capital Restructuring as referred to in note 26, as at 31st March 2004, the exercise prices of the outstanding share options of the Company were adjusted to reflect the effect of the Share Consolidation and the open offer.

The following table discloses details of share options outstanding under the Company's share option schemes and movements during the period:

	Outstanding at 1st May 2003 <i>(note)</i>	Granted during the period	Lapsed during the period	Outstanding at 31st March 2004 <i>(note)</i>	Exercise price per share <i>(note)</i>	Date of grant	Exercisable period
Directors	-	12,300,000	-	12,300,000	HK\$0.306	27th October 2003	27th October 2003 to 26th October 2008
	6,000,000	-	-	6,000,000	HK\$0.9936	31st August 2001	1st September 2001 to 31st August 2005
	6,000,000	12,300,000	-	18,300,000			
Employees	-	29,400,000	-	29,400,000	HK\$0.306	27th October 2003	27th October 2003 to 26th October 2008
	8,400,000	-	-	8,400,000	HK\$0.9936	31st August 2001	1st September 2001 to 31st August 2005
	4,320,000	-	(4,320,000)	-	HK\$1.0482	3rd January 2000	3rd January 2000 to 2nd January 2004
	112,320	-	(112,320)	-	HK\$2.6022	3rd July 1997	3rd July 1997 to 2nd July 2007
	34,560	-	(34,560)	-	HK\$3.1437	13th July 1996	13th July 1996 to 12th July 2006
	12,866,880	29,400,000	(4,466,880)	37,800,000			

Note: The exercise prices and the number of share options outstanding as at 1st May 2003 have been adjusted for the Capital Restructuring as mentioned in note 26 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**27. SHARE OPTIONS** (continued)

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the period. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise dates are deleted from the register of outstanding options.

**28. SHARE PREMIUM AND RESERVES**

Details of the movements on the Group's share premium and reserves are set out in the consolidated statement of changes in equity on page 24.

The accumulated losses of the Group include accumulated profits of approximately HK\$7,622,000 (30th April 2003: accumulated losses of approximately HK\$2,316,000) retained by associates of the Group.

Details of the movements in the Company's reserves are as follows:

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>THE COMPANY</b>				
At 1st May 2002	112,737	–	(213,450)	(100,713)
Capital Restructuring (note 26)	–	508,537	–	508,537
Profit for the year	–	–	2,657	2,657
At 30th April 2003	112,737	508,537	(210,793)	410,481
Issue of ordinary shares	45,860	–	–	45,860
Loss for the period	–	–	(344)	(344)
<b>At 31st March 2004</b>	<b>158,597</b>	<b>508,537</b>	<b>(211,137)</b>	<b>455,997</b>

Note: Under company law in Bermuda, contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (i) the company is, or would after the distribution be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company's reserves available for distribution to shareholders as at 31st March 2004 amounted to approximately HK\$297,400,000 (30th April 2003: HK\$297,744,000).

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)**For the period from 1st May 2003 to 31st March 2004***29. AMOUNTS DUE TO SUBSIDIARIES****THE COMPANY**

The amounts are unsecured and interest-free. Repayment of the amounts will not be demanded within twelve months from the balance sheet date; accordingly they are shown as non-current.

**30. CONVERTIBLE NOTES**

	<b>THE GROUP AND THE COMPANY</b>	
	<b>31.3.2004</b>	30.4.2003
	<b>HK\$'000</b>	HK\$'000
At the beginning of the period/year	<b>72,247</b>	158,305
New issues for acquisition of subsidiaries	–	88,000
Set-off with amount due from a related company	–	(123,058)
Redemption	<b>(72,247)</b>	(51,000)
At the end of the period/year	–	72,247

Convertible notes of HK\$76,914,000 and HK\$81,391,000 were issued by the Company as consideration for acquisition of 19% and 20% beneficial interest in Ezcom Technology Limited from Mr. Kok Kin Hok, the Chairman and a shareholder of the Company, and Mr. Li Tung Wai, a director of Ezcom Technology Limited, respectively, on 28th March 2002. The convertible notes were unsecured, interest-free and were partly set off with amount due from a related company and partly redeemed during the year ended 30th April 2003.

On 8th November 2002, a convertible note of HK\$88,000,000 was issued by the Company as a consideration for acquisition of 100% beneficial interest in Global Direction Limited from Mr. Kok Kin Hok. Global Direction Limited has an indirect equity interest of 33.98% in Ezze Mobile Tech., Inc, which became the associate of the Group as a result of the acquisition. The convertible note was unsecured, interest-free and was repayable on or before 7th November 2004. These convertible notes had been fully redeemed during the period.

The noteholders had the right to convert any part of the principal amount of the convertible notes into ordinary issued shares of HK\$0.01 each of the Company at the price of HK\$5.00 per share (after adjustment in light of the Capital Restructuring as referred to in note 26), subject to adjustment, at any time on or before the expiry date of notes.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**30. CONVERTIBLE NOTES** (continued)

The shares to be issued upon conversion shall rank pari passu in all respect with all other existing shares in issue at the date of the conversion and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the conversion.

**31. DEFERRED TAX**

The following is the major deferred tax asset (liability) recognised by the Group and movements thereon during the current and prior reporting periods:

**THE GROUP**

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>	<b>Unused tax losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1st May 2002 and 30th April 2003	–	–	–
(Charge) credit to income statement (note 11)	(79)	250	171
<b>At 31st March 2004</b>	<b>(79)</b>	<b>250</b>	<b>171</b>

Represented by:

	<b>31.3.2004</b> <i>HK\$'000</i>	30.4.2003 <i>HK\$'000</i>
Deferred tax asset	<b>250</b>	–
Deferred tax liability	<b>(79)</b>	–
	<b>171</b>	–

**THE COMPANY**

The Company has no significant temporary difference arising during the period/year and at the balance sheet dates.

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)**For the period from 1st May 2003 to 31st March 2004***32. PLEDGE OF ASSETS**

At 31st March 2004, the Group's bank borrowing and other banking facilities are secured by the followings:

- (a) first legal charges on certain of the Group's leasehold land and buildings with an aggregate carrying value of HK\$13,435,000 at 31st March 2004 (30th April 2003: HK\$13,691,000);
- (b) certain bank deposits of the Company's subsidiaries totalling HK\$74,511,000 at 31st March 2004 (30th April 2003: HK\$74,515,000);
- (c) corporate guarantees issued by the Company; and
- (d) personal guarantees issued by Mr. Kok Kin Hok and Mr. Li Tung Wai.

At 30th April 2003, a floating charge over certain assets of the Company's subsidiary totalling HK\$463,474,000 was also pledged as collaterals. The charge was released during the period.

**33. CONTINGENT LIABILITIES**

	<b>31.3.2004</b> <b>HK\$'000</b>	30.4.2003 HK\$'000
<b>THE GROUP</b>		
Bills of exchange discounted with recourse	<b>75,525</b>	88,718

**THE COMPANY**

At 31st March 2004, the Company has given guarantees to banks in respect of general banking facilities granted to its subsidiaries to the extent of HK\$48,000,000 (30th April 2003: HK\$73,200,000).

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**34. CAPITAL COMMITMENTS****THE GROUP**

As at the balance sheet date, the Group had the following capital commitments contracted but not provided for in the financial statements:

	<b>31.3.2004</b> <i>HK\$'000</i>	30.4.2003 <i>HK\$'000</i>
Capital contribution to an investee company	<b>4,680</b>	–
Joint sponsorship of certain advertising and promotion campaigns with China Kejian	<b>2,925</b>	18,950
	<b>7,605</b>	18,950

**THE COMPANY**

The Company had no capital commitments at the balance sheet date (30th April 2003: nil).

**35. OPERATING LEASE ARRANGEMENTS****The Group as lessee**

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	<b>THE GROUP</b>	
	<b>31.3.2004</b> <i>HK\$'000</i>	30.4.2003 <i>HK\$'000</i>
Within one year	<b>724</b>	731
In the second to fifth years inclusive	<b>131</b>	550
	<b>855</b>	1,281

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms of and rentals are fixed for period ranging from one to two years.

The Company did not have any significant operating lease commitment as lessee at balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**35. OPERATING LEASE ARRANGEMENTS** (continued)**The Group as lessor**

Rental income earned from leasehold land and building during the period was HK\$105,000 (year ended 30th April 2003: nil). The leasehold land and building have committed tenants for the next one to two years.

At the balance sheet date, the Group had contracted with a tenant for the following future minimum lease payments under non-cancellable operating lease which falls due as follows:

	<b>THE GROUP</b>	
	<b>31.3.2004</b>	30.4.2003
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>114</b>	–
In the second to fifth years inclusive	<b>5</b>	–
	<b>119</b>	–

**THE COMPANY**

The Company did not have any significant operating lease arrangement at the balance sheet date.

**36. FOREIGN EXCHANGE CONTRACTS COMMITMENTS**

	<b>THE GROUP</b>	
	<b>31.3.2004</b>	30.4.2003
	<b>HK\$'000</b>	HK\$'000
Foreign exchange contracts	<b>188,943</b>	5,635

Foreign exchange contracts are entered into primarily to hedge the Group's exposed net monetary liability position in Japanese Yen. By entering into these contracts the impact of foreign currency fluctuation to the Group during the normal course of business is reduced.



**NOTES TO THE FINANCIAL STATEMENTS** *(continued)**For the period from 1st May 2003 to 31st March 2004***37. ACQUISITION OF SUBSIDIARIES AND AN ASSOCIATE**

	<b>1.5.2003 to 31.3.2004 HK\$'000</b>	1.5.2002 to 30.4.2003 HK\$'000
Net assets acquired:		
Interests in an associate	–	37,365
Bank balances and cash	–	896
Other net current liabilities	–	(35)
Amounts due to directors	–	(8,674)
	–	29,552
Goodwill	–	58,448
Total consideration	–	88,000
Satisfied by convertible notes <i>(note 30)</i>	–	88,000
Cash inflow arising on acquisition:		
Bank balances and cash acquired	–	896

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)**For the period from 1st May 2003 to 31st March 2004***38. DISPOSAL OF SUBSIDIARIES**

	<b>1.5.2003 to 31.3.2004 HK\$'000</b>	1.5.2002 to 30.4.2003 HK\$'000
Net liabilities disposed of:		
Property, plant and equipment	–	146,470
Inventories	–	77,477
Bank balances and cash	–	31,521
Other net current liabilities	–	(228,108)
Bank borrowings	–	(53,532)
Minority interests	–	(546)
	–	(26,718)
Goodwill	–	465
Exchange reserve realised upon disposal of subsidiaries	–	(91)
	–	(26,344)
Gain on disposal	–	28,544
	–	2,200
Total consideration	–	2,200
Satisfied by cash	–	2,200
Cash outflow arising on disposal:		
Bank balance and cash disposed of	–	(31,521)

**39. MAJOR NON-CASH TRANSACTION**

During the year ended 30th April 2003, convertible notes of HK\$123,058,000 were set off with amount due from a related company.

**40. RETIREMENT BENEFIT SCHEME**

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the period from 1st May 2003 to 31st March 2004

**41. RELATED PARTY TRANSACTIONS**

Apart from the amounts owed by and to related parties as disclosed in notes 21 and 23 respectively, the Group entered into the following transactions with related parties during the period:

	Notes	<b>1.5.2003 to 31.3.2004 HK\$'000</b>	1.5.2002 to 30.4.2003 HK\$'000
Sales to China Kejian, its agent and its related companies	(a)	<b>660,825</b>	1,534,180
Purchases from China Kejian	(a)	<b>33,442</b>	2,340
Purchases from Ezze Mobile Tech., Inc.	(a)	<b>274,218</b>	416,115
Acquisition of subsidiaries from Mr. Kok Kin Hok	(b)	–	88,000
Disposal of subsidiaries to Mr. Kok Kin Hok	(c)	–	2,000
Advertising and promotion expenses paid under the joint sponsorship agreement with China Kejian	(d)	<b>8,775</b>	15,290

*Notes:*

- Sale and purchase transactions were carried out at cost plus a percentage of mark-up.
- On 8th November 2002, the Company acquired a 100% equity interest in Global Direction Limited, a company holding 33.98% equity interest in Ezze Mobile Tech., Inc. from Mr. Kok Kin Hok, for a total consideration of HK\$88,000,000 by the issue of a convertible note with an aggregate equivalent amount.
- Pursuant to the agreement dated 19th August 2002 entered into between the Company and Mr. Kok Kin Hok, the Company had sold the entire equity interest in Lamex China Limited to Mr. Kok Kin Hok for a consideration of HK\$2,000,000. Lamex China Limited is an investment holding company and its subsidiaries were principally engaged in the manufacturing and trading of office furniture and building materials.
- Pursuant to the agreement dated 1st May 2002 entered into between the Group and China Kejian, the Group has agreed to jointly sponsor certain advertising and promotion campaigns of China Kejian.

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)**For the period from 1st May 2003 to 31st March 2004***42. PARTICULARS OF PRINCIPAL SUBSIDIARIES**

Particulars of the principal subsidiaries as at 31st March 2004 are as follows:

Name of subsidiary	Place of incorporation and operation	Class of shares held	Paid up issued ordinary share capital	Proportion of nominal value of issued capital held indirectly by the Company	Principal activities
Ezcom Management Services Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	Provision of administrative services to group companies
Ezcom Electronics Limited	Hong Kong	Ordinary	10,000 shares of HK\$1 each	100%	Trading of mobile phones
Ezcom Technology Limited	Hong Kong	Ordinary	1,000,000 shares of HK\$1 each	90%	Trading of mobile phones and spare parts

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the result, or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of directors, result in particulars of excessive length.