1. CORPORATE INFORMATION AND UPDATE

The Company was incorporated in Bermuda with limited liabilities and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda. The Company's shares have been suspended for trading on the Stock Exchange since 24 March 2003.

The Company is an investment holding company. The principal activities of the Company's subsidiaries of which their accounts have been consolidated at 31 December 2002 are set out in note 15 to the accounts.

The Company changed its financial year end from 31 March to 31 December with effect from 29 November 2002. The current accounting period covers a period of nine months from 1 April 2002 to 31 December 2002.

2. WINDING-UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS

The Company and its subsidiaries have been experiencing financial difficulties since about 2002. A subsidiary's creditor, the Bank of East Asia Limited ("BEA"), had issued statutory demands to the Company and the subsidiary, Video Epoch Limited ("VEL"), on 2 December 2002 and 27 November 2002 respectively. In the statutory demand, BEA has demanded the Company to settle a total outstanding debt of approximately HK$17.8 million which the Company as a guarantor had guaranteed for VEL.

On 25 March 2003, BEA petitioned for the winding-up of the Company as the Company failed to comply with the statutory demand issued by BEA on 2 December 2002. Upon the application of the Company by summons filed on 30 April 2003, Mr. Derek K.Y. Lai and Mr. Joseph K.C. Lo of Deloitte Touche Tohmatsu were appointed as joint and several provisional liquidators of the Company by the High Court of Hong Kong Special Administrative Region on 21 June, 2003 so as to preserve the assets and business of the Company and to consider and review all restructuring proposals and/or scheme of arrangement to be proposed by any interested party. In addition, the winding up petition was adjourned to 13 December 2004.

3. BASIS OF PREPARATION

(i) Going Concern

The Group sustained a loss attributable to shareholders of HK$897 million for the period from 1 April 2002 to 31 December 2002 (the "Said Period") (31 March 2002: loss of HK$959 million). As at 31 December 2002, the Group had consolidated net current liabilities of approximately HK$481 million (31 March 2002: net current liabilities of HK$324 million), consolidated accumulated losses of HK$1,496 million (31 March 2002: accumulated losses of HK$599 million) and consolidated net liabilities of HK$ 472 million (31 March 2002: net assets of HK$464 million). During the Said Period, the Group and the Company were unable to settle their debts due to financial difficulties. The deterioration of the asset value of the Group was due to crystallisation of indemnified liabilities of subsidiaries not consolidated as set out in note 10 to the accounts and provision made against amounts due from subsidiaries not consolidated.

As at the balance sheet date, the Group's total liabilities included current liabilities of HK$535 million (31 March 2002: HK$1,624 million) and long term portion of finance lease obligations of HK$12 million (31 March 2002: HK$16 million).

3. BASIS OF PREPARATION (Continued)

(i) Going Concern (Continued)

As detailed in note 2 to the accounts, one of the creditors of the Company had filed writs of summon to demand petition for the winding up of the Company on 25 March 2003. Following the petition, the Company applied to the court for stay of the winding-up proceedings and for the appointment of the provisional liquidators for the purpose of restructuring of the Company.

On 10 June 2004, the Company announced that, inter alia, an escrow and exclusivity agreement ("Escrow Agreement") was entered into on 4 June 2004 amongst (i) the Company, (ii) the potential investor, (iii) the provisional liquidators and (iv) the escrow agent. In the Escrow Agreement, the potential investor submitted a restructuring proposal which outlined the major terms for restructuring of the Company, which involve, inter alia, capital reorganisation, subscription of new shares of the Company by the potential investor, whitewash waiver and creditors' scheme of arrangement. Pursuant to the Escrow Agreement, it was agreed to grant the potential investor an exclusivity period up to the close of business on 2 October 2004 for discussion and finalisation of the restructuring proposal. Due to additional time is required for finalisation of the restructuring proposal, the potential investor applied for an extension of the exclusive period. The restructuring proposal is now subject to contract and detailed terms and conditions of the restructuring are yet to be finalised.

The Directors have prepared the accounts on the basis that the Escrow Agreement and the restructuring of the Company will be successfully implemented and that the Group will be able to improve its financial position and business upon completion of restructuring. As at the date of approval of the accounts, the Directors are not aware of any circumstances or reasons that would likely affect the successful finalisation of the restructuring proposal and the intention of the potential investor. In light of the foregoing, the Directors opined that it is appropriate to prepare the accounts on a going concern basis. The accounts do not incorporate any adjustments for possible failure of the above mentioned restructuring proposal and the continuance of the Group as a going concern.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of the Group's 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. The effect of these potential adjustments has not been incorporated in the accounts.

(ii) Subsidiaries not Consolidated

(a) The accounts have been prepared based on the books and records maintained by the Company and its subsidiaries. However, due to (a) the liquidation of certain significant subsidiaries or their immediate holding companies; or (b) the seizure of the major assets and production facilities of the major subsidiaries under the court orders as security for the unsettled claims, the Directors have not been able to obtain access to the books and records of these subsidiaries and considered that control has been lost. The results, assets and liabilities of these subsidiaries were not consolidated into the accounts of the Group as of 1 April 2002. Details of these subsidiaries are set out in note 18(a) to the accounts. In the opinion of the Directors, the accounts for the period from 1 April 2002 to 31 December 2002 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of liquidation or seizure of the assets of subsidiaries.

(b) In addition, the Directors considered that the non-consolidation of the results, assets and liabilities of subsidiaries as set out in note 18(b) to the accounts would not significantly affect the results of the Group for the current period as the cost of obtaining this information would exceed the value of this information to the members of the Company.

Details of subsidiaries not consolidated in the accounts are set out in note 18 (a) and 18 (b) to the accounts.

3. BASIS OF PREPARATION (Continued)

(iii) Great Wall France SA ("GW France") was the only significant subsidiary still operating business during the period from 1 April 2002 to 31 December 2002. Due to financial difficulties of the subsidiary, GW France went into liquidation pursuant to a France court order in 2004. Consequently, the management has been unable to obtain access to the books and records of GW France and therefore the operations of GW France so consolidated are based on the unaudited management accounts as it is the only financial information made available to the management. In view of foregoing, the Directors are unable to satisfy themselves that the results, assets and liabilities of GW France have been properly included in the consolidated accounts of the Group.

Included in the consolidated accounts were the following amounts based on the unaudited management accounts of GW France.

	HK$'000
Turnover	137,501
Cost of sales	152,902
Other revenue	1,567
Selling and distribution costs	1,049
Administrative expenses	2,928
Other operating expenses	828
Finance costs	995
Fixed assets	19,781
Inventories	22,646
Trade and bills receivables	12,408
Prepayments, deposits and other receivables	7,069
Cash at bank	11,703
Finance lease obligations	
– Current portion	2,875
– Long term portion	11,643
Trade and bills payables	4,122
Accruals, accounts and other payables	13,076
Amounts due to fellow subsidiaries	63,777

(iv) In addition to the limited financial information available concerning certain subsidiaries due to liquidation or seizure of assets of certain major subsidiaries as detailed in note 3(ii)(a) to the accounts, the Directors have used their best endeavours to relocate all the financial and business records of the Group as most of the former accounting personnel of the Group have left. The Directors were unable to obtain sufficient documentary information to satisfy themselves regarding the treatment of various balances of the Group and of the Company as at 31 December 2002.

(a) The Directors were unable to obtain sufficient documentary evidence to support the Group's and the Company's other payables and accruals of approximately HK$305,343,000 and HK$292,267,000 respectively as at 31 December 2002, including the liabilities under indemnities given to subsidiaries not consolidated of approximately HK$291,130,000 as at 31 December 2002. Accordingly the Directors were unable to satisfy themselves as to whether these amounts are fairly stated in the accounts.

(b) The Directors were unable to satisfy themselves as to whether the amounts due to subsidiaries not consolidated of approximately HK$222,305,000 and HK$8,086,000 included in the Group's and the Company's balance sheet respectively as at 31 December 2002 are fairly stated in the accounts.

3. BASIS OF PREPARATION (Continued)

(iv) (Continued)

(c) The accounts have been prepared based on the available books and records maintained by the Company and its subsidiaries. However, in view of the lack of evidence available, the Directors were unable to represent that all transactions entered into by the Company and its subsidiaries for the period from 1 April 2002 to 31 December 2002 have been properly reflected in the books and records and in the accounts. In this context, the Directors are also unable to represent as to the completeness and correctness of the disclosures of directors' and employees' emoluments in note 8, inventories in note 19, deferred tax in note 27, share option scheme in note 28, contingent liabilities in note 30 and commitments in note 32 to the accounts.

(d) Due to limited books and records available to the Directors, the following have not been made in the accounts:

- Disclosures in respect of subsidiaries excluded from consolidation as required by SSAP 32 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries";
- Disclosures in respect of finance lease obligations as required by SSAP 14 (Revised) "Leases";
- Details of the retirement benefit scheme and the employee benefits as required by SSAP 34 "Employee benefits";
- Segment information disclosures as required by SSAP 26 (Revised) "Segment Reporting" and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules");
- Details of analysis of pledge of assets as required by the Hong Kong Companies Ordinance;
- Details of related party disclosures as required by SSAP 20 "Related Party Disclosures"; and
- Details of the Group's credit risk and ageing of debtors and creditors as required by the Listing Rules.

(e) Due to insufficient information, the accounts do not contain a cash flow statement as required by SSAP 15 "Cash flow statements".

Any adjustments arising from the matters described in above would affect the net liabilities of the Company and the Group as at 31 December 2002 and the loss of the Group for the period then ended.

Also, as a result of the matters described in above, the comparative figures at 31 March 2002 shown in the consolidated balance sheet page 16, company's balance sheet on page 17 and in the consolidated profit and loss account for the period then ended on page 15 may not be comparable with the figures for the current period.

4. PRINCIPAL ACCOUNTING POLICIES

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

The accounts have been prepared under the historical cost convention.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current period, the Group has adopted the following SSAPs issued by the Hong Kong Institute of Certified Public Accountants which are effective for accounting periods commencing on or after 1 January 2002.

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currencies
SSAP 34	:	Employee benefits
SSAP 1 (revised)	:	Presentation of financial statements

The requirement for presenting a statement of recognised gains and losses has changed to presenting a statement of changes in equity.

SSAP 11 (revised) : Foreign currencies

The revisions to SSAP 11 have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

SSAP 34 : Employee benefits

SSAP 34 introduces measurement rules for employee benefits, including retirement benefits plans. Because the Group participates only in defined contribution retirement benefits schemes, the adoption of SSAP 34 has not had any material impact on the accounts.

The adoption of the above new or revised SSAPs has no material effect on the Group's and Company's net liabilities and the Group's results for the current or prior accounting periods. Accordingly, no current or prior period adjustment is required.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to the balance sheet date, other than those excluded for the reasons referred to note 18 to the accounts. The results of the subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively.

Where the Company holds more than half of the issued share capital of a subsidiary, but does not control the composition of the board of directors or equivalent governing body, the accounts of that subsidiary are not consolidated because it would be misleading to do so. Where the Company is in a position to exercise significant influence, such investments are dealt with as associates as appropriate. Otherwise, they are dealt with as investments in securities.

All significant intercompany transactions and balances within the Group, other than with subsidiaries not consolidated, are eliminated on consolidation.

Certain subsidiaries within the Group have not been consolidated from the consolidated accounts as of 1 April 2002 because in the opinion of the Directors, the Group has lost control over these subsidiaries and it will be misleading to the users if these subsidiaries are consolidated into the Group's results and assets and liabilities.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. Investments in subsidiaries are included in the Company's balance sheet at cost, less any impairment losses.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Joint venture companies

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

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively.

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of jointly-controlled entities, which was not previously eliminated or recognised in consolidated reserves, is included as part of the Group's interests in jointly-controlled entities.

Associates

An associate is an entity, not being a subsidiary or jointly-controlled entity, in which an equity interest is held for the long term and significant influence is exercised in its management. The consolidated profit and loss account includes the Group's share of the results of the associates for the period, and the consolidated balance sheet includes the Group's share of net assets of the associates and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 10 years. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

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

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful lives of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates and jointly-controlled entities, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impairment of assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Property development projects

Property development projects are stated at cost, which comprises the cost of land, development expenditure and financial expenses, less any impairment losses.

Fixed assets

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

Changes in the values of fixed assets are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Land	Over the unexpired lease terms
Buildings	2%–4%
Plant and machinery	10%–33$^{1}/_{3}$%
Moulds	20%–30%
Furniture, fixtures and equipment	20%–33$^{1}/_{3}$%
Motor vehicles and vessels	12$^{1}/_{2}$%–33$^{1}/_{3}$%

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Fixed assets (Continued)

Freehold land is not depreciated. No depreciation is provided on properties under development until they are completed and put into use.

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

Intangible assets

Trademarks

The Group's trademarks are held on a long term basis and are stated at cost less accumulated amortisation and any impairment losses. The trademarks are amortised on the straight-line basis over the estimated commercial life of 15 years.

Deferred development expenditure

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the estimated useful lives of the assets on the same basis as owned fixed assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

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

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Provisions

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

Deferred tax

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

Revenue recognition

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

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

(b) from the rendering of services, as the underlying services are provided;

(c) rental income, on a time proportion basis over the lease terms; and

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Foreign currencies

Monetary assets and liabilities in foreign currencies at the period end date are translated into Hong Kong Dollars at approximately the market rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Hong Kong Dollars at exchange rates ruling at the transactions dates. Profits and losses arising on exchange are dealt with in the profit and loss account.

The balance sheets of subsidiaries, jointly controlled entities and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss items are translated at an average rate. Exchange differences are dealt with as a movement in the exchange fluctuation reserve.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Retirement benefits scheme

The Group operates defined contribution retirement benefits schemes including the scheme set up under the Mandatory Provident Fund Schemes Ordinance, for its employees who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the Group prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. In respect of the Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme"), the Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully.

As stipulated by the regulations of the PRC government, each of the Group's subsidiaries in the PRC participates in the Central Pension Scheme operated by the PRC government for all of their staff. These PRC subsidiaries are required to contribute a certain percentage of their covered payroll to the scheme to fund the benefits. The only obligation of the Group with respect to the scheme is to pay the ongoing required contributions under the scheme. Contributions under the scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

5. REVENUE AND TURNOVER

Turnover represents the net amounts received and receivable from goods sold to customers, less returns and discounts, during the current period. Revenue recognised during the current period is as follows:

	01.04.2002–31.12.2002 *HK$'000*	01.04.2001–31.03.2002 *HK$'000*
Turnover		
Sale of consumer electronic products	**137,501**	1,910,214
Other revenue		
Interest income	–	3,311
Net rental income	–	710
Management fee income	–	1,200
Gain on disposal of subsidiaries, net	–	2,891
Others	**2,566**	545
	2,566	8,657

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	01.04.2002– 31.12.2002 ***HK$'000***	01.04.2001– 31.03.2002 *HK$'000*
Staff costs:		
Wages and salaries	**22,082**	177,819
Pension contributions	–	2,283
	22,082	180,102
Depreciation	**2,517**	66,564
Impairment of fixed assets	–	36,964
Amortisation of trademarks	–	1,291
Amortisation of deferred development expenditure	–	464
Minimum lease payments under operating leases in respect of land and buildings	**108**	2,893
Auditors' remuneration	**90**	2,415
Loss on disposal of fixed assets, net	–	2,027
Gain on disposal of subsidiaries, net	–	(2,891)
Loss on disposal of interest in a property development project	–	12,543
Impairment loss recognised on interests in subsidiaries not consolidated	**5,666**	–
Indemnified liabilities of subsidiaries not consolidated *(note 10)*	**291,130**	–
Provision against interest in a property development project	–	9,000
Provision against amounts due from subsidiaries not consolidated	**578,703**	–
Provisions against trade receivables from jointly-controlled entities and associates	–	353,782
Provision against interest in an associate	–	127,917
Provision against amounts due from associates	**606**	–
Goodwill:		
Amortisation for the year	–	227
Impairment arising during the year	–	9,638
Negative goodwill recognised as income during the year	–	(48)

7. FINANCE COSTS

	01.04.2002–31.12.2002 ***HK$'000***	01.04.2001–31.03.2002 *HK$'000*
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**18**	51,601
Finance leases	**977**	2,366
	995	53,967

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	01.04.2002–31.12.2002 ***HK$'000***	01.04.2001–31.03.2002 *HK$'000*
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**–**	–
	–	–
Other emoluments (executive directors):		
Salaries, allowances, benefits in kind and Pension costs	**4,226**	11,804
	4,226	11,804

The emoluments were paid to the directors as follows:

	01.04.2002–31.12.2002 Number of directors	01.04.2001–31.03.2002 Number of directors
Nil to HK$1,000,000	**6**	5
HK$1,000,001 – HK$1,500,000	**3**	3
HK$1,500,000 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**–**	–
HK$3,000,001 – HK$3,500,000	**–**	1
	9	10

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

There was no arrangement under which a director waived or agreed to waive remuneration during the period/year.

During the period, the five highest paid individuals included four (year ended 31.03.2002: five) executive directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining highest paid individual were as follows:

	01.04.2002– 31.12.2002 ***HK$'000***	01.04.2001– 31.03.2002 *HK$'000*
Salaries and other benefits	**702**	–
	702	–

The emoluments were paid to the remaining highest paid individual as follows:

	01.04.2002– 31.12.2002 Number of individual	01.04.2001– 31.03.2002 Number of individual
Nil to HK$1,000,000	**1**	–

9. TAXATION CREDIT

In the opinion of the Directors, no provision for taxation had been made in the accounts for the both period/year ended 31 December 2002 and 31 March 2002 as the Group did not have any assessable profits for both period/year.

	01.04.2002– 31.12.2002 ***HK$'000***	01.04.2001– 31.03.2002 *HK$'000*
Group:		
Prior year profits tax overprovided	–	(579)
Deferred tax *(note 27)*	–	(7,610)
Tax credit for the period/year	–	(8,189)

10. INDEMNIFIED LIABILITIES OF SUBSIDIARIES NOT CONSOLIDATED

The Company has given indemnities to certain bankers and vendors of its subsidiaries and associates, which are at present under liquidation or their assets are now under seizure pursuant to the court orders for the unsettled claims, in respect of loans advanced and services rendered to those subsidiaries and assoicates. The Company's obligations under these indemnities crystallised upon default payment on the part of those subsidiaries and associates

11. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders for the period ended 31 December 2002 dealt with in the accounts of the Company was HK$564,521,000 (for the year ended 31.03.2002: HK$912,022,000).

12. LOSS PER SHARE

The calculation of the basic loss per share for the period ended 31 December 2002 is based on the loss attributable to shareholders for the period of HK$896,854,000 (for the year ended 31 March 2002: HK$959,225,000) and the weighted average number of 8,076,257,020 ordinary shares in issue (for the year ended 31 March 2002: 3,107,678,466 ordinary shares in issue and adjusted to reflect the open offer during the year ended 31 March 2002).

The diluted loss per share for each of the period/year ended 31 December 2002 and 31 March 2002 has not been shown as the effect of the dilutive potential ordinary shares for those period/year was anti-dilutive.

13. FIXED ASSETS

Group

	Land and buildings HK$'000	Properties under development HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000
Cost/valuation:							
At 1 April 2002	660,557	36,964	393,297	141,655	67,368	20,084	1,319,925
Additions	–	–	388	–	21	–	409
Disposals	–	–	–	–	(15)	–	(15)
Deconsolidation of subsidiaries	(635,298)	(36,964)	(362,304)	(141,655)	(61,644)	(20,084)	(1,257,949)
Exchange realignment	3,737	–	4,586	–	847	–	9,170
At 31 December 2002	28,996	–	35,967	–	6,577	–	71,540
Accumulated depreciation and impairment:							
At 1 April 2002	107,465	36,964	271,882	102,356	52,261	10,846	581,774
Provided during the period	893	–	1,261	–	363	–	2,517
Eliminated on disposals	–	–	–	–	(15)	–	(15)
Eliminated on deconsolidation of subsidiaries	(98,089)	(36,964)	(242,965)	(102,356)	(47,645)	(10,846)	(538,865)
Exchange realignment	1,388	–	4,277	–	683	–	6,348
At 31 December 2002	11,657	–	34,455	–	5,647	–	51,759
Net book value:							
At 31 December 2002	17,339	–	1,512	–	930	–	19,781
At 31 March 2002	553,092	–	121,415	39,299	15,107	9,238	738,151

The analysis of the cost or valuation of the above assets at 31 December 2002 is as follows:

At cost	28,996	–	35,967	–	6,577	–	71,540
At 31 December 2002	28,996	–	35,967	–	6,577	–	71,540

The analysis of the cost or valuation of the above assets at 31 March 2002 is as follows:

At cost	329,057	36,964	393,297	141,655	67,368	20,084	988,425
At valuation	331,500	–	–	–	–	–	331,500
At 31 March 2002	660,557	36,964	393,297	141,655	67,368	20,084	1,319,925

13. FIXED ASSETS (Continued)

At 31.03.2002, certain properties of the Group with net book values of HK$355,390,000 and HK$3,422,000 were pledged to secure the Group's and an associate's borrowings respectively.

An analysis of the land and buildings of the Group at the balance sheet date is as follows:

	Group	
	31.12. 2002	31.03.2002
	HK$'000	*HK$'000*
Leasehold land and buildings held under:		
Long term leases in Hong Kong	–	78,168
Medium term leases outside Hong Kong	–	557,151
Freehold properties outside Hong Kong	**28,996**	25,238
	28,996	660,557

The assets held under finance leases included in the total amount of fixed assets are as follows:

	Group	
	31.12. 2002	31.03.2002
	HK$'000	*HK$'000*
Net book value	**117**	46,650

14. INTANGIBLE ASSETS

Group

	Deferred development costs *HK$'000*	Trademarks expenditure *HK$'000*	Total *HK$'000*
Cost:			
At 31 March 2002	12,102	1,393	13,495
Deconsolidation of subsidiaries	(12,102)	–	(12,102)
At 31 December 2002	–	1,393	1,393
Accumulated amortisation:			
At 31 March 2002	2,814	1,393	4,207
Deconsolidation of subsidiaries	(2,814)	–	(2,814)
At 31 December 2002	–	1,393	1,393
Net book value:			
At 31 December 2002	–	–	–
At 31 March 2002	9,288	–	9,288

15. INTERESTS IN SUBSIDIARIES

	Company	
	31.12.2002 ***HK$'000***	31.03.2002 *HK$'000*
Unlisted shares, at cost	**5,001**	9,246
Due from subsidiaries	**1,288,670**	1,260,452
	1,293,671	1,269,698
Impairment lossess and doubtful debts provision	**(1,290,671)**	(1,000,000)
	3,000	269,698
Due to subsidiaries	**(8,086)**	(905)
	(5,086)	268,793

The Directors have formed the opinion that the carrying amount of the Company's investments in subsidiaries of approximately HK$5,001,000 have been impaired and amounts due from certain subsidiaries of approximately HK$1,285,670,000 cannot be recovered due to the fact that certain subsidiaries or their immediate holding companies are either in the course of liquidation or their assets are seized by the orders of the courts as explained in note 3(ii)(a) and, accordingly, such impairment losses and doubtful debts provision have been recognised in the accounts.

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

15. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's subsidiaries as at 31 December 2002 which have been consolidated in these accounts are as follows:

Name	Nominal value of issued and fully paid ordinary share capital	Attributable equity interest of the Company Direct	Attributable equity interest of the Company Indirect	Principal activities
Great Wall Electronics Group Limited	USD100	100%	–	Investment holding
Lipon Products Limited	USD50,000	–	100%	Investment holding
Great Wall France SA	Euro 6,171,525	–	100%	Manufacture and sale of television products

Notes: 1. The subsidiaries, Great Wall Electronics Group Limited and Lipon Products Limited, are incorporated in the British Virgin Islands.

2. The subsidiary, Great Wall France SA, incorporated and operating in France is the only principal subsidiary within the Group having its business of sourcing, manufacturing, marketing, distribution and sales of television and other audio products in Europe.

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	31.12.2002	31.03.2002
	HK$'000	*HK$'000*
Share of net assets	–	21,219
Goodwill on acquisition of additional interest in a jointly-controlled entity	–	2,040
Negative goodwill on acquisition of additional interest in a jointly-controlled entity	–	(429)
	–	22,830
Amount due to a jointly-controlled entity	–	(1,046)
	–	21,784
Impairment of goodwill	–	(2,040)
	–	19,744

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Details of the Company's jointly-controlled entities are as follows:

Name	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable equity interest of the Company Direct	Attributable equity interest of the Company Indirect	Principal activities
Guangdong Rowa Air-Conditioner Limited +	RMB68,000,000	–	40.1%	Manufacture and sale of air-conditioning products
Wuhan Hualong Bio-Chemical Pharmaceutical Company Limited +	RMB40,000,000	–	42.5%	Manufacture of bio-chemical and pharmaceutical products

+ registered and operating in the People's Republic of China as a sino-foreign equity joint venture

The balance with the jointly-controlled entity was unsecured, interest-free and had no fixed terms of repayment. Interests in the jointly-controlled entities do not equity accounting for during the current period upon deconsolidation of subsidiaries which owned these jointly-controlled entities.

17. INTERESTS IN ASSOCIATES

	Group	
	31.12.2002	31.03.2002
	HK$'000	*HK$'000*
Share of net assets	–	113,610
Impairment losses	–	(109,497)
	–	4,113

Details of the Company's associates as at 31 December 2002 are as follows:

Name	**Nominal value of issued and fully paid ordinary share capital/ registered capital**	**Attributable equity interest of the Company Direct**	**Indirect**	**Principal activities**
Eltic Electronics Company Limited ++	HK$5,000,000	–	50%	Manufacture and sale of audio visual products
Eltic Electronics (Huizhou) Limited *	HK$7,000,000	–	50%	Manufacture and sale of audio visual products
Great Wall Electronics Limited ++	HK$1,000 HK$4,000,000 #	–	50%	Manufacture and sale of audio products
Qingyuan Rowa Electronics Company Limited +	US$40,000,000	–	50%	Manufacture and sale of television products
Rowa Electronics (Hong Kong) Company Limited ++	HK$1,000,000	–	50%	Trading of air-conditioning products
Taiyuan Caixing Electronic Equipment Company Limited +	RMB50,000,000	–	37.5%	Manufacture and sale of television products
Welsona Polyfoam Limited ++	HK$2,500,000	–	40%	Manufacture and sale of polyfoam products

* registered and operating in the People's Republic of China as a wholly foreign owned enterprise.

\+ registered and operating in the People's Republic of China as a sino-foreign equity joint venture

++ private companies incorporated and operating in Hong Kong

\# non-voting deferred shares

The loan to an associate was interest-free and had no fixed terms of repayment. Interests in associates do not equity accounting for during the current period upon deconsolidation of subsidiaries which owned these associates.

18. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED

(a) The consolidated accounts for the current period from 1 April 2002 to 31 December 2002 do not include the following subsidiaries, which (i) are either themselves or their immediate holding companies are in the course of liquidation or (ii) the major assets and production facilities of the subsidiaries have been under seizure by the Mainland China Court Orders as a security for the unsettled claims against the Group. Accordingly, the Directors of the Company were unable to have access to the books and records of these subsidiaries.

Details of these subsidiaries where the Directors considered that control has been lost are as follows:

Name of the principal subsidiaries	**Proportion of nominal value of issued capital held by the Company indirectly**
Video Epoch Limited (*)	100%
Video Epoch Electronic (Huizhou) Limited	100%
Huizhou City Caixing Electrical Appliance Limited	75%
Huizhou City Hua Xing Packing Material Company Limited	88%
Huizhou City Hang Tung Paper Products Printing Limited	70%
Brilliant Plastic Manufacturing Limited (*)	100%
Brilliant Plastic and Mould Manufacturing (Huizhou) Limited	90%
Brilliant Plastic Industrial (Huizhou) Limited	100%
Art-Tech Speakers Manufacturing (Huizhou City) Limited	67%
Art-Tech Electronics (Huizhou) Limited	100%
Great Wall Industries Company Limited	100%
Guangzhou Rowa Electronics Company Limited	60%

* private companies incorporated and operated in Hong Kong

The above subsidiaries were incorporated and operating in the People's Republic of China, except as otherwise noted.

The consolidated accounts do not include the results of these subsidiaries up to the respective dates of appointment of liquidators as ordered by the courts as, in the opinion of the Directors, the accounts prepared on the captioned basis present more fairly the results and state of affairs of the Group as a whole in light of liquidation and seizure of the assets of subsidiaries.

18. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED (Continued)

(b) The accounts of the Group do not consolidate the accounts of the following subsidiaries set out below as in the opinion of the Directors, the non-consolidation of the results of these subsidiaries would not significantly affect the results of the Group for the current period and the cost of obtaining this information would exceed the value of this information to the members of the Company.

Details of these principal subsidiaries not consolidated as at 31 December 2002 are as follows:

Name of the principal subsidiaries	Proportion of nominal value of issued capital held by the Company	
	Directly	**Indirectly**
Great Wall Capital Management Limited	–	100%
Great Wall Electronics Holding Limited	100%	–
Great Wall Strategic Holdings (BVI) Limited #	–	100%
Shenzhen Rowa Digital Network Technology Limited *	–	90%
Star Source Industries Limited	–	100%
Well Concur Limited	–	100%

\# incorporated in the British Virgin Islands

* registered and operating in the People's Republic of China as a sino-foreign equity joint venture

The above subsidiaries were incorporated and operating in Hong Kong, except as otherwise noted.

(c) The Directors have formed the opinion that the aggregate carrying values of the Group's interests in the above subsidiaries of approximately HK$5,666,000 have been impaired and, accordingly, such impairment losses have been recognised in the accounts.

19. INVENTORIES

	Group	
	31.12.2002	31.03.2002
	HK$'000	*HK$'000*
Raw materials	**20,801**	289,384
Work in progress	**–**	40,237
Finished goods	**1,845**	116,667
	22,646	446,288

Due to limited books and records available to the Directors as set out in note 3(iv) (c) to the accounts, the carrying amounts of inventories carried at net realisable value at 31 December 2002 are not obtainable. At 31 March 2002, the carrying amounts of inventories carried at net realisable value included in the above were HK$92,335,000.

20. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit.

	Group	
	31.12.2002	31.03.2002
	HK$'000	*HK$'000*
Trade receivables	12,408	48,968
Bills receivable	–	49,914
	12,408	98,882

21. TRADE RECEIVABLES FROM AND PAYABLES TO ASSOCIATES

The trade receivables from associates as at 31 March 2002 were unsecured, interest-free and were repayable within three months. The trade payables to associates as at 31 March 2002 were repayable within three months.

22. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Group		Company	
	31.12.2002	31.03.2002	**31.12.2002**	31.03.2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**11,943**	86,748	**239**	243
Bank deposits	–	271,857	–	–
	11,943	358,605	**239**	243
Less: Pledged bank deposits				
Pledged for endorsable bills facilities	–	75,164	–	–
Pledged for short term bank loans	–	186,047	–	–
Cash and cash equivalents	**11,943**	97,394	**239**	243

23. TRADE AND BILLS PAYABLES

	Group	
	31.12.2002	31.03.2002
	HK$'000	*HK$'000*
Trade payables	**4,122**	266,161
Bills payable	–	244,327
	4,122	510,488

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	31.12.2002	31.03.2002	**31.12.2002**	31.03.2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accrued liabilities	**14,213**	238,000	**1,137**	2,250
Other payables	**291,130**	106,093	**291,130**	–
	305,343	344,093	**292,267**	2,250

As at 31 December 2002, included in accrued liabilities was a provision of approximately HK$4,000,000 (31.03.2002: HK$4,000,000) for certain customs claims in respect of an overseas subsidiary. The final assessment in respect thereof has not been obtained as at the date of approval of these accounts.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
		31.12.2002	31.03.2002
	Notes	***HK$'000***	*HK$'000*
Bank overdrafts	*26*	–	105
Trust receipt loans	*26*	–	97,698
Current portion of bank loans	*26*	–	635,100
Current portion of finance lease obligations		**2,875**	10,232
		2,875	743,135

26. INTEREST-BEARING BANK LOANS AND OVERDRAFTS AND OTHER LOANS

	Group	
	31.12.2002	31.03.2002
	HK$'000	*HK$'000*
Bank overdrafts	–	105
Trust receipt and bank loans:		
Secured	–	321,860
Unsecured	–	410,938
	–	732,903
Bank overdrafts repayable on demand	–	105
Trust receipt and bank loans repayable:		
Within one year or on demand	–	732,798
	–	732,903
Portion classified as current *(note 25)*	–	(732,903)
Long term portion	–	–

27. DEFERRED TAX

	Group	
	31.12.2002	31.03.2002
	HK$'000	*HK$'000*
Balance at beginning of period/year	**407**	8,017
Credit for the year *(note 9)*	–	(7,610)
Deconsolidation of subsidiaries	**(407)**	–
Balance at end of period/year	–	407

28. SHARE CAPITAL

Shares

	Company	
	31.12.2002	31.03.2002
	HK$'000	*HK$'000*
Authorised:		
25,000,000,000 ordinary shares of HK$0.01 each (31.03.2002: 25,000,000,000 ordinary shares of HK$0.01 each)	**250,000**	250,000
Issued and fully paid:		
8,076,257,020 ordinary shares of HK$0.01 each (31.03.2002: 8,076,257,020 ordinary shares of HK$0.01 each)	**80,763**	80,763

A summary of the movements in the share capital of the Company is as follows:

	Notes	**Number of ordinary shares of HK$0.10 each** *'000*	**Number of ordinary shares of HK$0.01 each** *'000*	**Amount** *HK$'000*
Authorised:				
At 31 March 2001		2,500,000	–	250,000
Reduction of nominal value from HK$0.10 each to HK$0.01 each and then creation of 22,500,000,000 new shares of par value of HK$0.01 each	*(b)*	(2,500,000)	25,000,000	–
At 31 March 2002 and 31 December 2002		–	25,000,000	250,000
Issued and fully paid:				
At 31 March 2001		1,619,097	–	161,910
Shares repurchased and cancelled	*(a)*	(3,846)	–	(385)
Capital reduction	*(b)*	(1,615,251)	1,615,251	(145,372)
Open offer of shares	*(c)*	–	6,461,006	64,610
At 31 March 2002 and 31 December 2002		–	8,076,257	80,763

28. SHARE CAPITAL (Continued)

Notes:

(a) During the year ended 31 March 2002, the Company repurchased 3,846,000 ordinary shares of HK$0.10 each through the Stock Exchange as follows:

Month	**Number of shares repurchased** *HK$*	**Lowest price paid** *HK$*	**Highest price paid** *HK$'000*	**Total cash paid (before expenses)** *HK$'000*
April 2001	3,846,000	0.102	0.122	431

The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares was transferred from retained profits to capital redemption reserve (note 29).

The directors considered that the repurchases could lead to an enhancement of net tangible asset value per share and/or the earning per share of the Company.

(b) On 9 January 2002, the shareholders of the Company approved a special resolution in relation to a proposed capital reduction which was effected in the following manner:

i. The authorised share capital of the Company was reduced by HK$225,000,000 from HK$250,000,000 to HK$25,000,000 by cancelling HK$0.09 of the nominal value of HK$0.10 of each authorised ordinary share. Accordingly, the issued share capital of the Company was reduced by HK$145,372,626 from HK$161,525,140 to HK$16,152,514. The nominal value of each such ordinary share was therefore reduced to HK$0.01.

ii. Upon the completion of the capital reduction set out in (i) above, the authorised share capital of the Company was increased by HK$225,000,000 from HK$25,000,000 to HK$250,000,000 by the creation of 22,500,000,000 additional shares of HK$0.01 each, ranking pari passu in all respects with the existing shares of the Company. The authorised share capital of the Company remained as HK$250,000,000, as it was before the capital reduction, but now consists of 25,000,000,000 shares of HK$0.01 each; and

iii. The credit arising from the capital reduction pursuant to (i) above, in the amount of HK$145,372,000 was applied to the contributed surplus account of the Company.

(c) During the year ended 31 March 2002, the Company raised approximately HK$64,610,000, before expenses, by way of an open offer to allot and issue 6,461,005,616 offer shares of HK$0.01 each at a subscription price of HK$0.01 per offer share, on the basis of four offer shares for every existing share held by shareholders whose names appeared on the register of members on 31 January 2002. The net proceeds of the open offer were raised for the purpose of providing additional working capital to the Group.

Share options

On 15 April 2002, the Company terminated the share option schemes adopted on 20 March 1991 and 30 January 1997 and adopted a new share option scheme. The new share option scheme shall be valid and effective for a period of 10 years from 15 April 2002, after which period no further share will be granted but the provisions of the new share option scheme shall remain in full force and effect in all other respects.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

28. SHARE CAPITAL (Continued)

Share options (Continued)

As at 31 March 2002, the Company had 14,800,000 options outstanding which entitled the holder to subscribe for shares of the Company from 7 March 2000 to 6 March 2003. The exercise in full of the remaining outstanding share options would, under the present capital structure of the Company, result in the issue of 14,800,000 additional shares at an adjusted exercise price of HK$0.18 each. No share option has been granted or exercised during the period.

29. RESERVES

Group	Share premium account	Goodwill reserve	Capital redemption reserve	Contributed surplus account	Revaluation reserve	Exchange fluctuation reserve	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2001	795,533	(7,598)	9,539	–	46,564	(10,738)	361,063	1,194,363
Reduction in nominal value of shares	–	–	–	145,372	–	–	–	145,372
Transfer of nominal value of shares repurchased	–	–	385	–	–	–	(385)	–
Premium paid in respect of shares repurchased	(46)	–	–	–	–	–	–	(46)
Share issue expenses	(3,476)	–	–	–	–	–	–	(3,476)
Exchange realignment	–	–	–	–	–	(911)	–	(911)
Impairment of goodwill	–	7,598	–	–	–	–	–	7,598
Loss for the year	–	–	–	–	–	–	(959,225)	(959,225)
At 31 March 2002	792,011	–	9,924	145,372	46,564	(11,649)	(598,547)	383,675
Deconsolidation of subsidiaries	–	–	–	–	(46,564)	(3,822)	–	(50,386)
Exchange realignment	–	–	–	–	–	10,371	–	10,371
Loss for the period	–	–	–	–	–	–	(896,854)	(896,854)
At 31 December 2002	792,011	–	9,924	145,372	–	(5,100)	(1,495,401)	(553,194)

29. RESERVES (Continued)

Group	Share premium account HK$'000	Goodwill reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus account HK$'000	Revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
Reserves retained by:								
Company and subsidiaries	792,011	–	9,924	145,372	–	(5,100)	(1,495,401)	(553,194)
Associates	–	–	–	–	–	–	–	–
Jointly-controlled entities	–	–	–	–	–	–	–	–
At 31 December 2002	792,011	–	9,924	145,372	–	(5,100)	(1,495,401)	(553,194)
Company and subsidiaries	792,011	–	9,924	145,372	46,564	(11,649)	(538,454)	443,768
Associates	–	–	–	–	–	–	(22,548)	(22,548)
Jointly-controlled entities	–	–	–	–	–	–	(37,545)	(37,545)
At 31 March 2002	792,011	–	9,924	145,372	46,564	(11,649)	(598,547)	383,675

	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus account HK$'000 (Note)	Capital reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
Company						
At 1 April 2001	795,533	9,539	–	71,382	80,372	956,826
Reduction in nominal value of shares	–	–	145,372	–	–	145,372
Transfer of nominal value of shares repurchased	–	385	–	–	(385)	–
Premium paid in respect of shares repurchased	(46)	–	–	–	–	(46)
Share issue expenses	(3,476)	–	–	–	–	(3,476)
Loss for the year	–	–	–	–	(912,022)	(912,022)
At 31 March 2002	792,011	9,924	145,372	71,382	(832,035)	186,654
Loss for the period	–	–	–	–	(564,521)	(564,521)
At 31 December 2002	792,011	9,924	145,372	71,382	(1,396,556)	(377,867)

Note: As detailed in note 28(b) to the accounts, the issued share capital of the Company was reduced by HK$145,372,626 from HK$161,525,140 to HK$16,152,514 on 9 January 2002. The contributed surplus account of the Company and the Group represents the credit arising from the above capital reduction.

30. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the accounts were as follows:

	Group		Company	
	31.12.2002	31.03.2002	**31.12.2002**	31.03.2002
	HK$'million	*HK$'million*	***HK$'million***	*HK$'million*
Guarantees given to banks in respect of credit facilities granted to:				
Subsidiaries	–	–	–	407
Subsidiaries not consolidated, associates and jointly-controlled entities	–	384	–	130
Bills discounted with recourse	–	11	–	–
	–	395	–	537

As at 31 March 2002, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilised to the extent of approximately HK$196 million and, in connection with the facilities granted by the Group to associates and jointly-controlled entities, were utilised to the extent of approximately HK$180 million.

(b) In 1995, a customs review was performed on an overseas subsidiary of the Group (which was formerly an associate) and certain customs claims of approximately HK$24,500,000 subsequently emerged. The Customs Services reduced the duty rate applied to the claims, as such, such customs claims amount had been reduced to approximately HK$4,800,000.

(c) Negotiations with the Custom Services are still in progress. Having taken legal advice, the directors believe that they have valid defences for the claims and that adequate provisions have been made for any liabilities to the Group resulting from the contingencies.

(d) As at 31 March 2002, an associate of the Group (which was formerly a subsidiary) is currently a defendant in a lawsuit brought by a customer alleging that certain goods of approximately US$300,000 (approximately HK$2,340,000) delivered were defective and that the Group had breached the sales agreement which prohibited the Group from selling the goods to the customers' competitor. Having considered advice from the Group's legal counsel, the directors believe that they have valid defences for the litigation and adequate provision for any liabilities to the Group resulting from this contingency has been made and, therefore, any potential unprovided liability that could arise will not have a material adverse effect on the financial position of the Group

31. OPERATING LEASE ARRANGEMENTS

As lessee

At 31 December 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	31.12.2002	31.03.2002
	HK$'000	*HK$'000*
Within one year	–	691
In the second to fifth years, inclusive	–	168
	–	859

The Company had no commitments at the balance sheet date (31.03.2002: Nil).

32. COMMITMENTS

The Group had the following commitments at the balance sheet date:

	Group	
	31.12.2002	31.03.2002
	HK$'000	*HK$'000*
Capital commitments in respect of fixed assets, contracted for	–	40,237

The Company had no commitments at the balance sheet date (31.03.2002: Nil).

33. POST BALANCE SHEET EVENTS

Details of post balance sheet events are summarised in notes (2) and (3) to the accounts.

34. COMPARATIVE FIGURES

In current period, the Company has adopted the revised and new SSAPs as indicated in note 4 to the accounts for the first time. The presentation in the current period's accounts has been modified in order to conform with the requirements of those standards. Comparative amounts have been restated in order to achieve a consistent presentation.

35. APPROVAL OF THE ACCOUNTS

The accounts were approved and authorised for issue by the board of directors on 29 October 2004.