1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The company was incorporated in Bermuda on 17 August 1992 as an exempt company under the Companies Act, 1981 of Bermuda (as amended).

Although not required to do so under the Bye-laws of the company, these accounts are prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants ("HKSA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the group is set out below.

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Subsidiaries

A subsidiary is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a subsidiary is consolidated into the consolidated accounts, unless a subsidiary is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Subsidiaries (CONTINUED)

In the company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the company, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.

(d) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the group and other parties, where the contractual arrangement establishes that the group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the group's share of the jointly controlled entity's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case it is stated at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise. The consolidated profit and loss account reflects the group's share of the post-acquisition results of the jointly controlled entities for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e).

Unrealised profits and losses resulting from transactions between the group and jointly controlled entities are eliminated to the extent of the group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit and loss account.

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the group's share of the fair value of the identifiable assets and liabilities acquired. Positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Goodwill *(CONTINUED)*

Negative goodwill arising on acquisitions of controlled subsidiaries and jointly controlled entities represents the excess of the group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

In respect of any negative goodwill not yet recognised in the consolidated profit and loss account:

– for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

– for jointly controlled entities, such negative goodwill is included in the carrying amount of the interests in jointly controlled entities.

On disposal of a controlled subsidiary or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement in group reserves is included in the calculation of the profit or loss on disposal.

(f) Investments in securities

The group's policies for investments in securities other than investments in subsidiaries and jointly controlled entities are as follows:

(i) Investment securities are stated in the balance sheet at cost less any provisions for diminution in value.

(ii) Other investments are stated in the balance sheet at fair value. Changes in fair values are recognised in the profit and loss account as they arise.

(iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Fixed assets

(i) Fixed assets are carried in the balance sheet on the following bases:

- investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers; and

- land and buildings held for own use, plant, machinery and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(j)).

(ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties, immediately prior to the revaluation; and

- when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the profit and loss account.

In preparing these accounts, advantage has been taken of the transitional provisions set out in paragraph 80 of Statement of Standard Accounting Practice 17 “Property, plant and equipment” issued by the HKSA, with the effect that land and buildings held for own use have not been revalued to fair value at the balance sheet date.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Leased assets

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets held for use in operating leases

Where the group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the group's depreciation policies, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). Revenue arising from operating leases is recognised in accordance with the group's revenue recognition policies, as set out in note 1(o)(iv).

(ii) Operating lease charges

Where the group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made.

(i) Depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.

(ii) Depreciation is calculated to write off the cost of other fixed assets over their estimated useful lives on a straight-line basis at the following annual rates:

Leasehold land	Over the remaining terms of the leases
Buildings	4 - 5%
Plant, machinery, furniture, fixtures and office equipment	9 - 20%
Moulds	20 - 50%
Motor vehicles	10 - 25%

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets (other than investment properties carried at revalued amounts); and

– investments in subsidiaries and jointly controlled entity.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Inventories *(CONTINUED)*

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(m) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provisions and contingent liabilities (CONTINUED)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue recognition

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(iii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(p) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) The regular cost of providing benefits in respect of the group's defined contribution retirement schemes, and contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are charged to the profit and loss account at the rates as specified in the respective scheme when incurred.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of the profit and loss on disposal.

(r) Related parties

For the purposes of these accounts, parties are considered to be related to the group if the group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(s) Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) ***Segment reporting*** *(CONTINUED)*

In accordance with the group's internal financial reporting, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and fixed assets. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

2 CHANGE IN ACCOUNTING POLICY

Short-term employee benefits

In prior years, the group did not make provision for paid annual leave of their employees in return of services rendered to the group. With the effect from 1 April 2002, in order to comply with SSAP 34 "Employee benefits" issued by the HKSA, the group adopted a new policy for short-term employee benefits as set out in note 1(p)(i) above.

As a result of the new accounting policy, the net assets as at the year end have been decreased by HK$925,000 (2002: HK$925,000) and there has been no impact on the profit or loss for the current and prior years. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods as disclosed in the consolidated statement of changes in equity.

3 TURNOVER

The principal activity of the company is investment holding. The principal activities of the group are the manufacture, sale and distribution of toy and gift products, computer heads, housewares, clocks, watches and electronic products. The activities of the principal subsidiaries are set out on pages 58 to 60.

Turnover represents the net invoiced sales to customers less returns. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2003	2002
	HK$'000	HK$'000
Toy and gift products	**481,755**	424,084
Computer heads	**118,418**	183,806
Housewares	**166,914**	121,921
Timepieces	**156,326**	134,169
Others	**2,541**	3,082
	925,954	867,062

4 OTHER REVENUE AND OTHER NET INCOME

	2003	2002
	HK$'000	HK$'000
Other revenue		
Interest income	**1,232**	1,341
Rental income	**2,663**	2,216
Dividend income from listed investments	**36**	23
Others	**1,648**	1,708
	5,579	5,288
Other net income		
Gain/(loss) on disposal of fixed assets	**5,280**	(97)
Net exchange (loss)/gain	**(1,467)**	587
Net realised and unrealised (losses)/gains on other securities	**(858)**	688
Write back on provision for bad debts	**–**	1,464
Cash distribution from investment previously written off	**101**	296
Others	**334**	2,038
	3,390	4,976

5 PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) from ordinary activities before taxation is arrived at after charging/(crediting):

	2003	2002
	HK$'000	HK$'000
(a) Finance cost:		
Interest on bank advances and other borrowings repayable within five years	**168**	660
(b) Staff costs:		
Contributions to defined contribution plans	**9,178**	8,888
Increase in provision for long service payments	**33**	365
Retirement costs	**9,211**	9,253
Salaries, wages and other benefits	**154,504**	152,067
	163,715	161,320
(c) Other items:		
Cost of inventories	**695,624**	688,259
Depreciation		
– assets held for use under operating leases	**257**	1,474
– other assets	**25,011**	26,282
Auditors' remuneration		
– current year	**2,367**	2,777
– (over)/underprovision in previous year	**(34)**	11
Operating lease charges		
– land and buildings	**4,524**	5,218
– other assets	**1,104**	1,828

6 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2003	2002
	HK$'000	HK$'000
Executive directors		
Salaries and allowances	**16,700**	16,700
Retirement scheme contributions	**1,411**	1,411
	18,111	18,111
Non-executive directors		
Fees	**360**	465
	18,471	18,576

The remuneration of the directors is within the following bands:

	Number of directors	
	2003	2002
HK$Nil to HK$1,000,000	**2**	3
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,500,001 to HK$4,000,000	**4**	4

6 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

(b) Individuals with highest emoluments

During the year ended 31 March 2003, the five highest paid individuals included four directors (2002: four directors). The aggregate of the emoluments in respect of the five highest paid individuals are as follows:

	2003	2002
	HK$'000	HK$'000
Salaries and other emoluments	**17,390**	17,138
Retirement scheme contributions	**1,582**	1,582
	18,972	18,720

The emoluments of the five individuals with the highest emoluments are within the following band:

	Number of individuals	
	2003	2002
HK$3,500,001 to HK$4,000,000	**5**	5

7 TAXATION

(a) Taxation in the consolidated profit and loss account represents:

	2003	2002
	HK$'000	HK$'000
Provision for Hong Kong Profits Tax for the year	**6,174**	3,303
Overprovision in respect of prior year	**(453)**	(489)
Overseas taxation at applicable rates	**1,362**	(36)
Deferred taxation (note 21)	**675**	(229)
	7,758	2,549
Share of a jointly controlled entity's taxation	**110**	86
	7,868	2,635

The provision for Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profits for the year ended 31 March 2003. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

7 TAXATION *(CONTINUED)*

(b) *Taxation in the consolidated balance sheet represents:*

	2003 HK$'000	2002 HK$'000
Provision for Hong Kong Profits Tax for the year	**6,174**	3,303
Provisional profits tax paid	**(3,423)**	(1,831)
Tax recoverable in respect of prior year	**(25)**	–
Overseas taxation	**1,126**	777
Tax payable	**3,852**	2,249

(c) *Taxation in the company's balance sheet represents:*

	2003 HK$'000	2002 HK$'000
Provision for Hong Kong Profits Tax for the year	**–**	19
Provisional profits tax paid	**(25)**	(89)
Tax recoverable	**(25)**	(70)

8 PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit/(loss) attributable to shareholders includes a profit of HK$17,000 (2002: HK$96,000) which has been dealt with in the accounts of the company.

9 DIVIDENDS

(a) Dividends attributable to the year

	2003	2002
	HK$'000	HK$'000
Interim dividend declared and paid of HK1 cent per share (2002: Nil cent per share)	**6,199**	–
Final dividend proposed after the balance sheet date of HK2 cents per share (2002: HK1 cent per share)	**12,305**	6,226
	18,504	6,226

The interim dividend has been charged to the contributed surplus (note 24).

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2003	2002
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK1 cent per share (2002: Nil cent per share)	**6,226**	–

The final dividend has been charged to the contributed surplus (note 24).

10 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit for the year attributable to ordinary shareholders of HK$30,562,000 (2002: net loss of HK$32,416,000), and on 620,957,000 (2002: 624,934,000) ordinary shares, being the weighted average number of ordinary shares outstanding during the year.

There were no dilutive potential ordinary shares in existence during the years ended 31 March 2003 and 2002.

11 SEGMENT REPORTING

Segment information is presented in respect of the group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the group's internal financial reporting.

Business segments

The group comprises the following main business segments:

Toy and gift products	:	The manufacture, sale and distribution of toy and gift products.
Computer heads	:	The manufacture and sale of computer heads.
Housewares	:	The manufacture, sale and distribution of housewares.
Timepieces	:	The manufacture, sale and distribution of clocks, watches and electronic products.
Others	:	The leasing of properties to generate rental income and the marketing activities

	2003						
	Toy and gift products HK$'000	**Computer heads HK$'000**	**Housewares HK$'000**	**Timepieces HK$'000**	**Others HK$'000**	**Inter-segment elimination HK$'000**	**Consolidated HK$'000**
Revenue from external customers	**481,755**	**118,418**	**166,914**	**156,326**	**2,541**	**–**	**925,954**
Other revenue from external customers	**1,791**	**184**	**1,380**	**463**	**1,761**	**–**	**5,579**
Inter-segment revenue	**–**	**–**	**–**	**–**	**6,064**	**(6,064)**	**–**
Total	**483,546**	**118,602**	**168,294**	**156,789**	**10,366**	**(6,064)**	**931,533**
Segment result	**43,003**	**(21,661)**	**19,890**	**(523)**	**(2,016)**		**38,693**
Inter-segment transactions	**(3,383)**	**(1,253)**	**–**	**(1,428)**	**6,064**		**–**
Contribution from operations	**39,620**	**(22,914)**	**19,890**	**(1,951)**	**4,048**		**38,693**
Unallocated operating income and expenses							**3,594**
Profit from operations							**42,287**
Finance costs							**(168)**
Share of profit of a jointly controlled entity	**–**	**–**	**439**	**–**	**–**		**439**
Taxation							**(7,868)**
Minority interests							**(4,128)**
Profit attributable to shareholders							**30,562**

11 SEGMENT REPORTING *(CONTINUED)*

Business segments *(continued)*

	2002						
	Toy and gift products HK$'000	Computer heads HK$'000	Housewares HK$'000	Timepieces HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue from external customers	424,084	183,806	121,921	134,169	3,082	–	867,062
Other revenue from external customers	1,186	330	978	462	2,332	–	5,288
Inter-segment revenue	–	–	–	–	4,447	(4,447)	–
Total	425,270	184,136	122,899	134,631	9,861	(4,447)	872,350
Segment result	11,561	2,705	3,167	(14,957)	(22,694)		(20,218)
Inter-segment transactions	(2,103)	(1,507)	(115)	(722)	4,447		–
Contribution from operations	9,458	1,198	3,052	(15,679)	(18,247)		(20,218)
Unallocated operating income and expenses							(7,370)
Loss from operations							(27,588)
Finance costs							(660)
Share of profit of a jointly controlled entity	–	–	343	–	–		343
Taxation							(2,635)
Minority interests							(1,876)
Loss attributable to shareholders							(32,416)

11 SEGMENT REPORTING *(CONTINUED)*

Business segments *(continued)*

	2003						
	Toy and gift products HK$'000	Computer heads HK$'000	Housewares HK$'000	Timepieces HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Depreciation for the year	11,039	8,122	3,281	1,647	1,179		25,268
Impairment loss for the year	–	1,000	–	–	–		1,000
Significant non-cash expenses (other than depreciation and amortisation)	50	–	–	100	745		895
Segment assets	273,731	87,064	108,167	56,318	30,186	(19,022)	536,444
Interest in a jointly controlled entity	–	–	1,698	–	–		1,698
Unallocated assets							27,683
Total assets							565,825
Segment liabilities	45,644	17,707	31,024	15,448	660	(19,022)	91,461
Unallocated liabilities							8,495
Total liabilities							99,956
Capital expenditure incurred during the year	21,668	2,429	1,014	1,658	510	–	27,279

11 SEGMENT REPORTING *(CONTINUED)*

Business segments *(continued)*

	2002						
	Toy and gift products HK$'000	Computer heads HK$'000 restated	Housewares HK$'000	Timepieces HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000 restated
Depreciation for the year	9,643	9,534	3,367	2,238	2,974		27,756
Impairment loss for the year	4,190	–	2,172	827	24,705		31,894
Significant non-cash expenses (other than depreciation and amortisation)	2,711	–	–	711	1,587		5,009
Segment assets	282,036	102,895	94,104	49,318	31,716	(20,241)	539,828
Interest in a jointly controlled entity	–	–	1,759	–	–		1,759
Unallocated assets							15,705
Total assets							557,292
Segment liabilities	71,963	15,667	31,637	11,736	1,122	(20,241)	111,884
Unallocated liabilities							7,631
Total liabilities							119,515
Capital expenditure incurred during the year	6,189	3,124	707	2,039	210	–	12,269

11 SEGMENT REPORTING *(CONTINUED)*

Geographical segments

The group's business is managed on a worldwide basis, but participates mainly in three principal economic environments. North America is a major market for the toy and gift division, the computer head division and the houseware division. Europe is a major market for the timepiece division and the houseware division and to a lesser extent the toy and gift division and the computer head division. In Asia, the group's manufacturing activities are carried out in the People's Republic of China ("the PRC").

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

2003

	Asia			**Europe**		**North America**	**Others**	**Total**
	Hong Kong	**The PRC**	**Others**	**United Kingdom**	**Others**			
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Revenue from external customers	**64,293**	**3,702**	**28,943**	**297,819**	**58,338**	**455,917**	**16,942**	**925,954**
Segment assets	**254,636**	**228,774**	**–**	**79,241**	**2,701**	**473**	**–**	**565,825**
Capital expenditure incurred during the year	**7,539**	**18,694**	**–**	**1,038**	**–**	**8**	**–**	**27,279**

2002

	Asia			Europe		North America	Others	Total
	Hong Kong	The PRC	Others	United Kingdom	Others			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	33,323	15,306	116,848	262,669	66,402	353,830	18,684	867,062
Segment assets	254,823	214,127	–	81,858	6,179	305	–	557,292
Capital expenditure incurred during the year	8,309	1,789	–	2,146	–	25	–	12,269

12 FIXED ASSETS

(a) The group

	Land and buildings held for own use HK$'000	Plant, machinery, furniture, fixtures and office equipment HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Investment properties HK$'000	Total HK$'000
Cost or valuation:							
At 1 April 2002	199,985	236,806	28,192	15,878	480,861	13,528	494,389
Exchange differences	694	1,113	–	200	2,007	–	2,007
Additions	3,815	21,298	917	1,249	27,279	–	27,279
Disposals	–	(8,675)	(2,184)	(480)	(11,339)	–	(11,339)
Reclassification *(note (c))*	(3,943)	–	–	–	(3,943)	2,568	(1,375)
Deficits on revaluation	–	–	–	–	–	(895)	(895)
At 31 March 2003	**200,551**	**250,542**	**26,925**	**16,847**	**494,865**	**15,201**	**510,066**
Accumulated depreciation and impairment losses:							
At 1 April 2002	93,305	178,052	26,187	12,329	309,873	–	309,873
Exchange differences	87	733	–	92	912	–	912
Charge for the year	5,686	16,905	1,318	1,359	25,268	–	25,268
Impairment loss	–	1,000	–	–	1,000	–	1,000
Written back on disposal	–	(7,859)	(2,184)	(356)	(10,399)	–	(10,399)
Reclassification *(note (c))*	(1,375)	–	–	–	(1,375)	–	(1,375)
At 31 March 2003	**97,703**	**188,831**	**25,321**	**13,424**	**325,279**	**–**	**325,279**
Net book value:							
At 31 March 2003	**102,848**	**61,711**	**1,604**	**3,423**	**169,586**	**15,201**	**184,787**
At 31 March 2002	106,680	58,754	2,005	3,549	170,988	13,528	184,516

12 FIXED ASSETS *(CONTINUED)*

(b) The analysis of the net book value of properties is as follows:

	The group			
	Investment properties		Land and buildings held for own use	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Freehold outside Hong Kong	**–**	–	**5,900**	5,354
Medium term leases				
– in Hong Kong	**14,001**	12,278	**27,329**	31,094
– outside Hong Kong	**1,200**	1,250	**69,245**	69,842
Short term leases outside Hong Kong	**–**	–	**374**	390
	15,201	13,528	**102,848**	106,680

(c) At 31 March 2003, certain land and buildings of the group with a net book value of HK$2,568,000 (total costs of HK$3,943,000 and accumulated depreciation and impairment losses of HK$1,375,000) have been reclassified to investment properties as at that date.

(d) Investment properties of the group located in Hong Kong and the PRC were revalued at 31 March 2003 by an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited who have among their staff Fellows of the Hong Kong Institute of Surveyors, on an investment approach by taking into account of current rent passing receivable from the existing tenancy agreements and the reversionary potential of the property interests.

The revaluation deficits of HK$895,000 (2002: HK$5,009,000) have been charged to the profit and loss account.

(e) During the year, the directors have performed an assessment of the recoverable amount of the group's plant and machinery of its computer heads division. Based on this assessment, the carrying amount of the plant and machinery was written down by HK$1,000,000. The estimated recoverable amount of the plant and machinery was based on the value in use of the plant and machinery, determined using a discount rate of 5%.

In prior year, an impairment loss of HK$31,894,000 was provided for the group's leasehold land and buildings held for own use.

(f) The gross amounts of investment properties of the group held for use in operating leases were HK$15,201,000 (2002: HK$13,528,000). The gross amount of fixed assets other than investment properties of the group held for use in operating leases at 31 March 2003 was HK$3,959,000 (2002: HK$3,959,000) and the related accumulated depreciation and impairment losses were HK$2,874,000 (2002: HK$2,727,000).

12 FIXED ASSETS *(CONTINUED)*

(g) The group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The group	
	2003	2002
	HK$'000	HK$'000
Within 1 year	**1,369**	2,107
After 1 year but within 5 years	**858**	2,068
	2,227	4,175

13 INVESTMENTS IN SUBSIDIARIES

	The company	
	2003	2002
	HK$'000	HK$'000
Unlisted shares, at cost, net of dividend received from subsidiary from pre-acquisition profits	**327,365**	327,365

Details of the company's principal subsidiaries at 31 March 2003 are set out on pages 58 to 60.

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the group accounts.

14 INTEREST IN A JOINTLY CONTROLLED ENTITY

	The group	
	2003	2002
	HK$'000	HK$'000
Share of net assets	**1,756**	1,803
Amount due to a jointly controlled entity	**(58)**	(44)
	1,698	1,759

Details of the group's jointly controlled entity are as follows:

Name of company	Principal activity	Place of incorporation and operation	Effective percentage of equity held by company	Effective percentage of equity held by subsidiaries
Ningbo Herald Metal Products Company Limited	Manufacture of housewares	The People's Republic of China	–	40

15 OTHER NON-CURRENT FINANCIAL ASSETS

	The group	
	2003	2002
	HK$'000	HK$'000
Investment securities		
Unlisted debt securities, at cost	**2,120**	2,120
Other investments		
Listed equity shares, at fair value		
– in Hong Kong	**70**	28
– outside Hong Kong	**4,587**	3,898
	4,657	3,926
	6,777	6,046
Market value of listed investments	**4,657**	3,926

16 INVENTORIES

	The group	
	2003	2002
	HK$'000	HK$'000
Raw materials	**56,579**	52,779
Work in progress	**23,344**	19,570
Finished goods	**37,636**	40,310
	117,559	112,659

The amount of inventories (included above) carried at net realisable value is HK$17,303,000 (2002: HK$10,744,000).

17 TRADE AND OTHER RECEIVABLES

	The group		The company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors and bills receivable	**69,961**	104,428	**–**	–
Other receivables	**24,939**	16,803	**126**	124
	94,900	121,231	**126**	124

All of the trade and other receivables are expected to be recovered within one year.

Included in trade and other receivables are trade debtors and bills receivable (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	The group	
	2003	2002
	HK$'000	HK$'000
By date of invoice		
Within 1 month	**51,510**	71,411
After 1 month but within 3 months	**17,877**	24,053
After 3 months	**574**	8,964
	69,961	104,428

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

18 CASH AND CASH EQUIVALENTS

	The group	
	2003	2002
	HK$'000	HK$'000
Cash and cash equivalents in the consolidated balance sheet	**160,104**	131,081
Bank overdrafts	**(918)**	(2,416)
Cash and cash equivalents in the consolidated cash flow statement	**159,186**	128,665

19 BANK LOANS AND OVERDRAFTS

All bank loans and overdrafts are unsecured and repayable on demand or within one year.

20 TRADE AND OTHER PAYABLES

	The group		The company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000 restated	**HK$'000**	HK$'000
Trade creditors and bills payable	**42,937**	48,855	**–**	–
Accruals and other payables	**46,326**	58,882	**960**	751
	89,263	107,737	**960**	751

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis:

	The group	
	2003	2002
	HK$'000	HK$'000
By date of invoice		
Within 1 month	**26,126**	34,048
After 1 month but within 3 months	**14,621**	13,660
After 3 months	**2,190**	1,147
	42,937	48,855

21 DEFERRED TAXATION

(a) Movements in deferred taxation of the group comprise:

	2003	2002
	HK$'000	HK$'000
At 1 April	**844**	1,072
Transfer from/(to) the profit and loss account (note 7)	**675**	(229)
Exchange difference	**40**	1
At 31 March	**1,559**	844

(b) Major components of deferred taxation of the group are set out below:

	2003		2002	
	Provided	**Potential assets unrecognised**	Provided	Potential assets unrecognised
	HK$'000	**HK$'000**	HK$'000	HK$'000
Depreciation allowances in excess of related depreciation	**2,239**	**–**	1,403	–
Future benefit of tax losses	**–**	**(8,031)**	–	(5,490)
Other timing differences	**(720)**	**(221)**	(560)	(306)
Exchange difference	**40**	**–**	1	–
	1,559	**(8,252)**	844	(5,796)

22 PROVISION FOR LONG SERVICE PAYMENTS

	HK$'000
At 1 April 2002	5,340
Payments made during the year	(1,009)
Charge for the year	33
At 31 March 2003	**4,364**

According to Part VB of the Hong Kong Employment Ordinance ("the Ordinance"), the group is liable to make long service payments to the employees who have completed the required number of years of service on termination of their employment and where the termination of employment meets the required circumstances as specified in the Ordinance.

A provision has been made by the group based on the best estimate of the long service payments that are required to be made to employees in respect of their service to date, less any amounts that would be expected to be met out of the group's defined contribution retirement schemes and mandatory provident fund contributions.

23 SHARE CAPITAL

	2003		2002	
	Number of shares (Thousand)	**Amount HK$'000**	Number of shares (Thousand)	Amount HK$'000
Authorised:				
Ordinary shares of US$0.01 each	**1,000,000**	**78,000**	1,000,000	78,000
Issued and fully paid:				
Shares of US$0.01 each				
At 1 April	**624,011**	**48,673**	625,201	48,766
Shares repurchased and cancelled	**(7,340)**	**(573)**	(1,190)	(93)
At 31 March	**616,671**	**48,100**	624,011	48,673

23 SHARE CAPITAL *(CONTINUED)*

During the year, the company repurchased a total of 7,340,000 (2002: 1,190,000) of its shares on The Stock Exchange of Hong Kong Limited, all of which were then cancelled. The premium paid on repurchase was charged against share premium in accordance with the Companies Act 1981 of Bermuda (as amended). Details of the shares repurchased are as follows:

Month of repurchase	Number of shares	Price per share Highest	Price per share Lowest	Aggregate price
	(Thousand)	HK$	HK$	HK$'000
April 2002	80	0.190	0.190	16
May 2002	565	0.225	0.220	127
June 2002	765	0.215	0.210	165
July 2002	360	0.190	0.190	69
August 2002	800	0.166	0.163	133
September 2002	880	0.172	0.170	151
October 2002	270	0.158	0.157	43
November 2002	400	0.158	0.158	63
December 2002	300	0.210	0.210	63
January 2003	490	0.205	0.200	99
February 2003	610	0.280	0.243	152
March 2003	1,820	0.290	0.260	507
	7,340			1,588

24 RESERVES

(a) The group

	Share premium	Contributed surplus (Note i)	Exchange fluctuation reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2001					
– As previously reported	27,699	271,692	(9,161)	119,247	409,477
– Opening balance adjustment against retained profits arising from the change in accounting policy for long service payments	–	–	–	(3,328)	(3,328)
	27,699	271,692	(9,161)	115,919	406,149
– Prior period adjustment in respect of short-term employee benefits (note 2)	–	–	–	(925)	(925)
As restated	27,699	271,692	(9,161)	114,994	405,224
Exchange difference on consolidation	–	–	(1,444)	–	(1,444)
Premium paid on repurchase of shares	(113)	–	–	–	(113)
Loss for the year	–	–	–	(32,416)	(32,416)
At 31 March 2002	27,586	271,692	(10,605)	82,578	371,251
At 1 April 2002					
– As previously reported	27,586	271,692	(10,605)	83,503	372,176
– Prior period adjustment in respect of short-term employee benefits (note 2)	–	–	–	(925)	(925)
As restated	27,586	271,692	(10,605)	82,578	371,251
Dividend approved in respect of the previous year (note 9(b))	–	(6,226)	–	–	(6,226)
Exchange difference on consolidation	–	–	3,056	–	3,056
Premium paid on repurchase of shares	(1,015)	–	–	–	(1,015)
Profit for the year	–	–	–	30,562	30,562
Dividend declared in respect of the current year (note 9(a))	–	(6,199)	–	–	(6,199)
At 31 March 2003	**26,571**	**259,267**	**(7,549)**	**113,140**	**391,429**

24 RESERVES (CONTINUED)

(b) The company

	Share premium	Contributed surplus (Note i)	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2001	27,699	218,005	19,789	265,493
Premium paid on repurchase of shares	(113)	–	–	(113)
Profit for the year	–	–	96	96
At 31 March 2002	27,586	218,005	19,885	265,476
At 1 April 2002	27,586	218,005	19,885	265,476
Dividend approved in respect of previous year (note 9(b))	–	(6,226)	–	(6,226)
Premium paid on repurchase of shares	(1,015)	–	–	(1,015)
Profit for the year	–	–	17	17
Dividend declared in respect of the current year (note 9(a))	–	(6,199)	–	(6,199)
At 31 March 2003	**26,571**	**205,580**	**19,902**	**252,053**

Notes:

(i) Contributed surplus

The contributed surplus represents the excess value of the consolidated net tangible assets represented by the shares of the former holding of the group, Herald (Hong Kong) Limited, acquired by the company over the nominal value of the shares issued by the company in exchange pursuant to a Scheme of Arrangement in 1992, less dividends. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to shareholders.

(ii) At 31 March 2003, the aggregate amount of reserves available for distribution to shareholders of the company was HK$225,482,000 (2002: HK$237,890,000).

25 CONTINGENT LIABILITIES

At 31 March 2003, there were contingent liabilities in respect of the following:

	The company	
	2003	2002
	HK$'000	HK$'000
Guarantees issued in respect of facilities granted by banks to subsidiaries	**39,938**	39,248

26 COMMITMENTS

At 31 March 2003, the total future lease payments of the group under non-cancellable operating leases are payable as follows:

	2003		2002	
	Land and buildings	**Others**	Land and buildings	Others
	HK$'000	**HK$'000**	HK$'000	HK$'000
Within 1 year	**5,765**	**712**	7,039	1,011
After 1 year but within 5 years	**11,950**	**541**	9,720	1,110
After 5 years	**16,568**	**–**	16,379	22
	34,283	**1,253**	33,138	2,143

The group leases a number of properties under operating leases. The leases typically run for a period of one to five years. None of the leases includes contingent rentals.

27 RETIREMENT SCHEMES

The principal subsidiaries of the company in Hong Kong have defined contribution retirement schemes for their qualifying employees. The assets of the schemes are held separately under provident funds managed by independent fund managers or insurance companies. Pursuant to the rules of the schemes, the employers are required to make contributions to the schemes calculated at 5% of employees' basic salaries on a monthly basis. One of these schemes also requires the employer's contributions to be increased to 10% after the employees' length of service exceeds five years. The employees are entitled to 100% of the employers' contributions and the accrued income after completion of 10 years' service, and at an increasing scale rate between 50% and 90% after completion of five to nine years' service.

27 RETIREMENT SCHEMES *(CONTINUED)*

The principal subsidiaries in Hong Kong also operate Mandatory Provident Fund Schemes ("the MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement schemes. The MPF schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF schemes, the employer and its employees are each required to make contributions to the schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the schemes vest immediately.

The employees in certain subsidiaries in the People's Republic of China ("the PRC") are members of the state-sponsored retirement benefit scheme organised by the PRC government. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the retirement benefit scheme to fund the benefits. The only obligation of the subsidiaries with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total retirement scheme cost charged to the profit and loss account for the year was HK$9,178,000 (2002: HK$8,888,000). Where there are employees who leave the schemes prior to vesting fully in the contributions, in accordance with the rules of the schemes, the forfeited employers' contributions shall be used to reduce the future contributions of the employers. At 31 March 2003, the total amount of forfeited contributions which are available to reduce the contributions payable in future years was HK$168,000 (2002: HK$221,000).

28 COMPARATIVE INFORMATION

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirement of SSAP 15 (revised) "Cash flow statements".

Certain comparative figures have also been adjusted as a result of the change in accounting policy for short-term employee benefits as set out in note 2. The comparative figures for selling expenses and administrative expenses in the profit and loss account have been adjusted to better reflect the nature of such expenses.