1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

– design, manufacture and distribution of production lines and production equipment

– distribution of brand name production equipment

– design and manufacture of consumer products (discontinued during the year– note 6)

– provision of sub-contracting services (discontinued during the year– note 6)

In the opinion of the directors, the ultimate holding company is Mind Seekers Investment Limited, a company incorporated in the British Virgin Islands (the "BVI").

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs applicable to the Group are effective for the first time for the current year's financial statements:

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

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated summary statement of changes in equity is now presented on page 24 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 15 prescribes the format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing, and financing activities, rather than the five headings previously required. The format of the consolidated cash flow statement set out on pages 25 and 26 of the financial statements has been revised in accordance with the new requirements.

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2. The SSAP defines a discontinuing operation and prescribes when an enterprise should commence including discontinuing operation disclosures in its financial statements and the disclosures required. The principal impact of the SSAP is that more extensive disclosures concerning the Group's discontinuing operations are now included in the consolidated profit and loss account, consolidated cash flow statement and in note 6 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits and the recognition of an accrual as at the balance sheet date. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 27 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") disclosures previously included in the Report of the Directors, which are now included in the notes to the financial statements as a consequence of the SSAP.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (the "Companies Ordinance"). They have been prepared under the historical cost convention, except for the periodic revaluation of investment property and leasehold land and buildings as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2003. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill arising on the acquisition of subsidiaries 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 five years.

On disposal of subsidiaries, 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 is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

– 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;

– from the rendering of sub-contracting services, based on the stage of completion of the contract, provided that the revenues and the costs incurred can be measured reliably. The stage of completion of a contract is established by reference to the physical completion of a particular phase of the contract. Foreseeable losses on contracts in progress are recognised in full when identified;

– rental income, on a time proportion basis over the lease terms; and

– interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

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 as 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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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.

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The original 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 the 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, other than investment properties, are dealt with as movements in the asset 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 asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Depreciation is calculated to write off the cost or valuation of each asset over its estimated useful life. Except for the leasehold land and buildings which are depreciated on a straight-line basis, all of the fixed assets are depreciated on a reducing balance basis. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2% to 4.5%
Machinery and equipment	9% to 25%
Furniture, fixtures and leasehold improvements	18% to 25%
Motor vehicles	25%

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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio 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 an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

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 manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

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 shorter of the lease terms and the estimated useful lives of the 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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets (continued)

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.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Retirement Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Retirement Scheme. 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 Retirement Scheme. The assets of the Retirement Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Retirement Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Retirement Scheme.

Pursuant to the relevant regulations of the government of the People's Republic of China excluding Hong Kong (the "PRC"), subsidiaries of the Group operating in the PRC participate in the retirement fund scheme managed by the local social security bureau. The contributions made to the scheme are based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable, in accordance with the rules of the scheme. The obligation of the Group with respect to the PRC retirement funds scheme is to pay these ongoing required contributions.

Technical know-how

The cost of acquiring the rights to technical know-how for the manufacture of new products is amortised using the straight-line basis over the estimated useful lives of the know-how of not exceeding five years, commencing from the date when the new products are available for use.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

All research costs are charged to the profit and loss account as incurred.

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/use.

Accounts receivable

Accounts receivable, which generally have 30 to 180 days' credit terms, are recognised and carried at original invoiced amounts less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their costs. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously reported cash flows of the prior year.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

Continuing operations:

(a) the production lines and production equipment segment consists of the design, manufacture and sale of production lines and production equipment;

(b) the brand name production equipment segment consists of the trading and distribution of brand name production equipment;

Discontinued operations:

(a) the consumer products segment consisted of the design, manufacture and sale of consumer products; and

(b) the sub-contracting services segment consisted of the provision of sub-contracting services.

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following table presents revenue, results and certain asset, liability and expenditure information for the Group's business segments.

Group

	Continuing operations				Discontinued operations					
	Production lines and production equipment		Brand name production equipment		Consumer products		Sub-contracting services		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**288,778**	245,223	**73,727**	58,506	**119,970**	143,867	**19,597**	46,870	**502,072**	494,466
Other revenue – external	**448**	69	**–**	–	**–**	–	**–**	–	**448**	69
Total	**289,226**	245,292	**73,727**	58,506	**119,970**	143,867	**19,597**	46,870	**502,520**	494,535
Segment results	**(25,775)**	23,318	**9,372**	8,682	**(11,080)**	(243)	**(14,541)**	1,773	**(42,024)**	33,530
Interest and unallocated income									**1,997**	3,411
Unallocated expenses									**(2,643)**	(1,585)
Profit/(loss) from operating activities									**(42,670)**	35,356
Finance costs									**(1,976)**	(1,586)
Profit/(loss) before tax									**(44,646)**	33,770
Tax									**(1,570)**	(6,718)
Net profit/(loss) from ordinary activities attributable to shareholders									**(46,216)**	27,052

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Continuing operations				Discontinued operations					
	Production lines and production equipment		Brand name production equipment		Consumer products		Sub-contracting services		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**314,701**	229,515	**19,530**	56,669	**–**	27,550	**–**	60,778	**334,231**	374,512
Unallocated assets									**14,463**	35,211
Bank overdrafts included in segment assets	**–**	–	**–**	–	**–**	4,977	**–**	–	**–**	4,977
Total assets									**348,694**	414,700
Segment liabilities	**66,612**	56,406	**17,667**	21,728	**–**	25,640	**–**	1,951	**84,279**	105,725
Unallocated liabilities									**59,954**	54,190
Bank overdrafts included in segment assets	**–**	–	**–**	–	**–**	4,977	**–**	–	**–**	4,977
Total liabilities									**144,233**	164,892
Other segment information:										
Depreciation and amortisation	**19,580**	7,365	**–**	–	**4,479**	2,509	**6,637**	6,906	**30,696**	16,780
Capital expenditure	**17,690**	84,999	**–**	–	**1,097**	9,161	**3,103**	25,904	**21,890**	120,064
Deficit on revaluation of leasehold land and buildings	**34**	5	**–**	–	**–**	–	**–**	–	**34**	5
Deficit on revaluation of investment property	**130**	250	**–**	–	**–**	–	**–**	–	**130**	250
Provision for doubtful debts	**9,117**	3,885	**–**	–	**5,369**	–	**–**	244	**14,486**	4,129
Loss on write off of fixed assets	**–**	1,975	**–**	–	**–**	205	**–**	570	**–**	2,750
Loss on write off of temporary structures	**–**	11,709	**–**	–	**–**	–	**–**	–	**–**	11,709

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

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

Group

	Hong Kong		PRC		European Union		Others		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**97,195**	95,075	**284,096**	284,694	**96,141**	91,439	**24,640**	23,258	**502,072**	494,466
Other segment information:										
Segment assets	**53,557**	83,235	**295,137**	326,488	**–**	–	**–**	–	**348,694**	409,723
Bank overdrafts included in segment assets	**–**	4,977	**–**	–	**–**	–	**–**	–	**–**	4,977
									348,694	414,700
Capital expenditure	**20**	221	**21,870**	119,843	**–**	–	**–**	–	**21,890**	120,064

5. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of the services provided and the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-Group transactions have been eliminated on consolidation.

An analysis of turnover and other revenue is as follows:

	2003	2002
	HK$'000	HK$'000
Turnover		
Sales of goods	**482,475**	447,596
Provision of sub-contracting services	**19,597**	46,870
	502,072	494,466
Other revenue		
Interest income	**622**	2,297
Gross rental income	**84**	84
Others	**1,360**	1,099
	2,066	3,480
	504,138	497,946

6. DISCONTINUED OPERATIONS

During the year, the Group decided to focus its operations on the development of production lines and production equipment, and brand name production equipment business. Accordingly, on 17 March 2003, the Group disposed of its entire 100% equity interest in Pro-Tech Industries Corp. ("Pro-Tech"), a wholly-owned subsidiary of the Company engaged in manufacturing and sub-contracting services of consumer electric products business, to two independent parties (the "Buyers"), at a total consideration of HK$16,650,000 (the "Total Consideration"). Each of the Buyers acquired a 50% equity interest in Pro-Tech at a consideration of HK$8,325,000 each. Upon completion of the disposal of Pro-Tech (the "Disposal"), the Group discontinued its manufacturing and sub-contracting services of consumer electric products business.

6. DISCONTINUED OPERATIONS (continued)

As at the date of the Disposal and as at 31 January 2003, Pro-Tech was indebted to the Company in the amount of approximately HK$16,686,000 (the "Loan"). In connection with the Disposal, on 17 March 2003, the Company entered into a deed of assignment with the Buyers and Pro-Tech, in which the Company agreed to assign the Loan to the Buyers. Each of the Buyers also entered into a deed of share charge with the Group and Pro-Tech, pursuant to which each of them undertook to the Group to charge their respective shares of Pro-Tech acquired from the Group by way of first fixed charge as continuing security for the outstanding amount of the Total Consideration.

The Total Consideration was determined with reference to the net liabilities of Pro-Tech as at 31 January 2003. The Total Consideration was payable to the Group by way of an initial payment of HK$ 2,000,000, with the remaining balances by 20 monthly instalments during the period from 31 March 2003 to 31 October 2004. As at the balance sheet date, HK$2,500,000 out of the Total Consideration was repaid by the Buyers with the remaining outstanding instalment payments of the Total Consideration falling due as follows:

	31 March 2003 HK$'000
Within one year	**7,200**
In the second year	**6,950**
	14,150

The outstanding receivable of HK$7,200,000 falling due within one year and HK$6,950,000 falling due in the second year are included in "Prepayments, deposits and other receivables" under current assets and "Other deposits and receivables" under non-current assets, respectively, on the face of the consolidated balance sheet.

As at the date of these financial statements, HK$4,000,000 out of the Total Consideration was settled according to the aforementioned schedule.

6. DISCONTINUED OPERATIONS (continued)

The effective date of the Disposal of Pro-Tech was 17 March 2003. Further details of the effect of the Disposal on the Group are also summarised in note 29(b) to the financial statements.

Due to the Disposal as mentioned above, the prior year comparative amounts for the following items have been reclassified to include the financial results and cash flows of Pro-Tech for the year ended 31 March 2002 so as to conform with the current year's presentation.

(i) "Turnover for discontinued operations", "Profit/(loss) before tax for discontinued operations" and "Tax for discontinued operations" as shown on the consolidated profit and loss account; and

(ii) "Net cash inflow/(outflow) from operating activities for discontinued operations", "Net cash outflow from investing activities for discontinued operations" and "Net cash inflow/(outflow) from financing activities for discontinued operations", as shown on the consolidated cash flow statement.

6. DISCONTINUED OPERATIONS (continued)

The turnover, other revenue, expenses and results of the electrical consumer products business of Pro-Tech, which contained the business segments of consumer products and sub-contracting services, included in the Group's consolidated profit and loss account for the two years ended 31 March 2003 are as follows:

	Consumer products		Sub-contracting services		Total	
	Period from 1 April 2002 to 17 March 2003	Year ended 31 March 2002	**Period from 1 April 2002 to 17 March 2003**	Year ended 31 March 2002	**Period from 1 April 2002 to 17 March 2003**	Year ended 31 March 2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
TURNOVER	**119,970**	143,867	**19,597**	46,870	**139,567**	190,737
Cost of sales	**(117,300)**	(137,017)	**(14,682)**	(26,725)	**(131,982)**	(163,742)
Gross profit	**2,670**	6,850	**4,915**	20,145	**7,585**	26,995
Selling and distribution costs	**(1,593)**	(1,553)	**(11,075)**	(5,295)	**(12,668)**	(6,848)
General and administrative expenses	**(6,788)**	(5,540)	**(8,381)**	(13,077)	**(15,169)**	(18,617)
Other operating expenses	**(5,369)**	–	**–**	–	**(5,369)**	–
Segment results	**(11,080)**	(243)	**(14,541)**	1,773	**(25,621)**	1,530
Interest and unallocated income					**309**	487
Unallocated expenses					**(191)**	(172)
Gain on disposal of discontinued operations					**379**	–
Profit/(loss) from operating activities					**(25,124)**	1,845
Finance costs					**(1,073)**	(1,167)
Profit/(loss) before tax					**(26,197)**	678
Tax					**(680)**	–
Net profit/(loss) from ordinary activities attributable to shareholders					**(26,877)**	678

6. DISCONTINUED OPERATIONS (continued)

The carrying amounts of the total assets and liabilities relating to the discontinued operations are as follows:

	Consumer products		Sub-contracting services		Total	
	17 March 2003 HK$'000	31 March 2002 HK$'000	**17 March 2003 HK$'000**	31 March 2002 HK$'000	**17 March 2003 HK$'000**	31 March 2002 HK$'000
Segment assets	**21,774**	27,550	**40,085**	60,778	**61,859**	88,328
Unallocated assets					**2,953**	10,186
Total assets					**64,812**	98,514
Segment liabilities	**(24,866)**	(25,640)	**(1,170)**	(1,951)	**(26,036)**	(27,591)
Unallocated liabilities					**(39,191)**	(44,082)
Total liabilities					**(65,227)**	(71,673)
Net assets/(liabilities)					**(415)**	26,841

The gain on disposal of the discontinued operations of approximately HK$379,000 related to the disposal of the business of the manufacturing and sub-contracting services of consumer electric products. There was no tax arising from the disposal.

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Notes	2003 HK$'000	2002 HK$'000
Cost of inventories sold		**433,057**	351,906
Cost of services provided		**14,682**	27,674
Auditors' remuneration		**720**	980
Depreciation	14	**25,562**	16,780
Minimum lease payments under operating leases:			
Land and buildings		**3,715**	5,949
Machinery		**293**	290
Staff costs (excluding directors' remuneration – note 8)			
Wages and salaries		**58,379**	46,260
Pension scheme contributions		**770**	466
		59,149	46,726
Less: Amount included in research and development costs		**(715)**	(1,079)
		58,434	45,647
Amortisation of technical know-how*	15	**5,134**	–
Research and development costs		**2,355**	2,789
Deficit on revaluation of investment property	14	**130**	250
Deficit on revaluation of leasehold land and buildings	14	**34**	5
Provision for doubtful debts		**14,486**	4,129
Provision for slow-moving inventories		**1,893**	1,198
Loss/(gain) on disposal of fixed assets		**83**	(28)
Loss on write off of fixed assets		**–**	2,750
Loss on write off of temporary structures		**–**	11,709
Exchange losses, net		**888**	502
Interest income		**(622)**	(2,297)
Gross and net rental income		**(84)**	(84)

* The amortisation of technical know-how for the year is included in "Cost of sales" on the face of the consolidated profit and loss account.

As at 31 March 2003, the Group had no forfeited contributions available to offset its employer contributions to the pension scheme in future years (2002: Nil).

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**360**	360
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	**3,348**	3,511
Pension scheme contributions	**78**	84
Independent non-executive directors:		
Salaries, allowances and benefits in kind	**–**	–
	3,786	3,955

The remuneration for the year of each of the directors fell within the nil – HK$1,000,000 band.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2002: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2002: one) non-director, highest paid employee is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Salary, allowances and benefits in kind	**421**	585
Pension scheme contributions	**12**	12
	433	597

The remuneration for the year of the non-director, highest paid employee fell within the nil – HK$1,000,000 band.

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

10. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**1,694**	1,398
Interest on finance leases	**282**	188
	1,976	1,586

11. TAX

	Group	
	2003	2002
	HK$'000	HK$'000
Group:		
Hong Kong	**–**	805
Elsewhere	**2,868**	5,908
Under/(over) provision in prior years	**(1,978)**	5
Deferred – note 25	**680**	–
Tax charge for the year	**1,570**	6,718

Hong Kong profits tax has not been provided for the year as the Group did not generate any assessable profits in Hong Kong during the year. For the year ended 31 March 2002, Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

12. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 March 2003 was approximately HK$2,175,000 (2002: HK$131,000).

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of approximately HK$46,216,000 (2002: net profit of HK$27,052,000) and the weighted average of 312,000,000 (2002: 312,000,000) shares in issue during the year.

No diluted earnings per share for both the current and prior years has been calculated as no diluting events existed during these years.

14. FIXED ASSETS

Group

	Investment property HK$'000	Leasehold land and buildings HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and leasehold improve-ments HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:							
At 1 April 2002	1,250	88,910	88,660	42,483	5,218	18,715	245,236
Additions	–	–	7,479	6,636	926	6,849	21,890
Transfer from construction in progress	–	25,723	–	–	–	(25,723)	–
Acquisition of a subsidiary (note 29(a))	–	–	96	412	–	–	508
Disposal of a subsidiary (note 29(b))	–	–	(41,381)	(33,601)	(116)	–	(75,098)
Disposals	–	–	(7)	(113)	–	–	(120)
Deficit on revaluation	(130)	(5,974)	–	–	–	–	(6,104)
Exchange realignments	–	711	61	67	18	159	1,016
At 31 March 2003	1,120	109,370	54,908	15,884	6,046	–	187,328
Accumulated depreciation and impairment:							
At 1 April 2002	–	–	34,864	6,685	2,845	–	44,394
Provided during the year	–	5,926	11,372	7,879	385	–	25,562
Written back on disposal of a subsidiary (note 29(b))	–	–	(22,331)	(9,098)	(78)	–	(31,507)
Disposals	–	–	(2)	(35)	–	–	(37)
Written back on revaluation	–	(5,926)	–	–	–	–	(5,926)
Exchange realignments	–	–	10	11	3	–	24
At 31 March 2003	–	–	23,913	5,442	3,155	–	32,510
Net book value:							
At 31 March 2003	1,120	109,370	30,995	10,442	2,891	–	154,818
At 31 March 2002	1,250	88,910	53,796	35,798	2,373	18,715	200,842
Analysis of cost or valuation:							
At cost	–	–	54,908	15,884	6,046	–	76,838
At valuation	1,120	109,370	–	–	–	–	110,490
	1,120	109,370	54,908	15,884	6,046	–	187,328

14. FIXED ASSETS (continued)

The revaluation of leasehold land and buildings situated in Hong Kong and the PRC of HK$3,370,000 (2002: HK$3,910,000) and HK$106,000,000 (2002: HK$85,000,000), respectively, were carried out by Castores Magi Surveyors Limited ("Castores"), an independent firm of professionally qualified valuers, on the open market, existing use basis and the depreciated replacement cost basis, respectively, on 31 March 2003. The deficits of HK$14,000 (2002: deficit of HK$128,000) and HK$34,000 (2002: deficit of HK$5,000) so arising have been debited to the asset revaluation reserve and charged to the profit and loss account, respectively. The Group's investment property was revalued on 31 March 2003 on the open market, existing use basis by Castores at HK$1,120,000 (2002: HK$1,250,000). The deficit of HK$130,000 (2002: deficit of HK$250,000) so arising has been charged to the profit and loss account.

Had the Group's revalued leasehold land and buildings been stated at cost less accumulated depreciation, the Group's total leasehold land and buildings would have been included in the financial statements at approximately HK$103,734,000 (2002: HK$83,137,000).

The net book values of the fixed assets of the Group held under finance leases included in the total amounts of motor vehicles and machinery and equipment are as follows:

	2003 **HK$'000**	2002 HK$'000
Motor vehicles	**116**	145
Machinery and equipment	**5,681**	13,380

The Group's investment property is situated in Hong Kong and is held under a medium term lease.

The Group's leasehold land and buildings are held under medium term leases and are further analysed as follows:

	2003 **HK$'000**	2002 HK$'000
Hong Kong	**3,370**	3,910
Elsewhere	**106,000**	85,000
	109,370	88,910

The Group's investment property and certain of the leasehold land and buildings, with net book values of HK$1,120,000 and HK$1,540,000, respectively, as at 31 March 2003, were pledged to the Group's bankers to secure banking facilities granted to the Group, as detailed in note 22 to the financial statements.

15. INTANGIBLE ASSETS

Group

	Technical know-how HK$'000
Cost:	
Acquisition of a subsidiary during the year (note 29(a)) and balance at 31 March 2003	27,498
Accumulated amortisation:	
Provided during the year and balance at 31 March 2003	(5,134)
Net book value:	
At 31 March 2003	22,364
At 31 March 2002	–

16. INTERESTS IN SUBSIDIARIES

	Company	
	2003 **HK$'000**	2002 HK$'000
Unlisted shares, at cost	**115,668**	115,668
Due from subsidiaries	**65,806**	48,405
	181,474	164,073

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

16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary/ registered capital	Percentage of attributable equity interest to the Company	Principal activities
i-System Investment Company Limited ("i-System")	BVI	US$2,000	100%	Investment holding
Sun East Electronic Equipment Company Limited	Hong Kong	HK$5,000,000	100%	Trading of machinery
Fulvan Manufacturing Limited	BVI/PRC	US$10	100%	Manufacture of machinery
Dystia Investments Inc.	BVI/PRC	US$10	100%	Provision of research and development and quality control services
Sherarson Intervest Company Ltd.	BVI/PRC	US$10	100%	Provision of quality control services
Pipersville Company Limited	BVI/PRC	US$10	100%	Provision of research and development services
Rightrade Corporation	BVI	US$10	100%	Holding of trademarks and patent rights
Suneast Electronics Development (Shenzhen) Co., Ltd.	PRC	HK$45,000,000	100%	Manufacture and trading of machinery

16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary/ registered capital	Percentage of attributable equity interest to the Company	Principal activities
Eastern Century Speed Inc.#	BVI/PRC	US$50,000	100%	Development of electrical interconnection technique
Pro-Tech Industries Corp. ##	BVI/PRC	US$10	100%	Manufacture and trading of consumer electronic products

Except for i-System, all of the subsidiaries are indirectly held by the Company.

\# Acquired during the year. For further details, please refer to note 29(a) to the financial statements.

\## Disposed of during the year. For further details, please refer to the notes 6 and 29(b) to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. INVENTORIES

	Group	
	2003	2002
	HK$'000	HK$'000
Raw materials	**28,471**	31,876
Work in progress	**12,452**	8,482
Finished goods	**13,561**	25,131
	54,484	65,489
Less: Provision for slow-moving inventories	**(5,893)**	(7,652)
	48,591	57,837

As at 31 March 2003, no inventories were stated at net realisable value (2002: Nil).

18. ACCOUNTS RECEIVABLE

An aged analysis of the accounts receivable as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within 90 days	**39,316**	58,395
91 to 120 days	**4,260**	3,714
Over 120 days	**29,946**	29,884
	73,522	91,993
Less: Provision for doubtful debts	**(17,017)**	(11,413)
	56,505	80,580

The normal credit period granted by the Group to customers ranges from 30 to 180 days.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**24,572**	35,224	**903**	98
Time deposits	**20,966**	33,105	**12,847**	33,105
Cash and cash equivalents	**45,538**	68,329	**13,750**	33,203

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$16,804,000 (2002: approximately HK$13,856,000). The RMB is not freely convertible into other currencies, however, under PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

20. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the accounts and bills payable as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within 90 days	**31,498**	48,214
91 to 120 days	**7,810**	8,524
Over 120 days	**16,973**	11,363
	56,281	68,101

21. INTEREST-BEARING BANK BORROWINGS

	Group	
	2003	2002
	HK$'000	HK$'000
Bank overdrafts, secured and repayable within one year – note 22	**–**	4,977
Bank loans, secured – note 22	**28,390**	14,950
	28,390	19,927
Bank loans repayable:		
Within one year	**6,204**	14,950
In the second year	**20,514**	–
In the third to fifth years, inclusive	**1,672**	–
	28,390	14,950
Portion classified as current liabilities	**(6,204)**	(14,950)
Long term portion	**22,186**	–

22. CREDIT FACILITIES

The Group's secured bank borrowings as at 31 March 2003 are secured by first legal charges on the Group's investment property and certain of its leasehold land and buildings with net book values of approximately HK$1,120,000 and HK$1,540,000, respectively (note 14), and are supported by guarantees provided by the Company (note 32).

23. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles, machinery and equipment for both its production line and equipment, and consumer products businesses. These leases are classified as finance leases and have remaining lease terms ranging from one to two years.

At 31 March 2003, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**2,099**	5,857	**2,026**	5,311
In the second year	**1,059**	3,905	**1,046**	3,767
In the third to fifth years, inclusive	**–**	1,169	**–**	1,152
Total minimum finance lease payments	**3,158**	10,931	**3,072**	10,230
Future finance charges	**(86)**	(701)		
Total net finance lease payables	**3,072**	10,230		
Portion classified as current liabilities	**(2,026)**	(5,311)		
Long term portion	**1,046**	4,919		

24. AMOUNTS DUE TO DIRECTORS

The amounts due to the directors are unsecured, interest-free and have no fixed terms of repayment.

25. DEFERRED TAX

	Group	
	2003	2002
	HK$'000	HK$'000
Balance at beginning of year	**3,098**	3,098
Charge for the year – note 11	**680**	–
Disposal of a subsidiary	**(1,878)**	–
At 31 March	**1,900**	3,098

As at 31 March 2003, the principal component of the Group's provision for deferred tax was accelerated depreciation allowances of HK$1,593,000 (2002: HK$2,791,000).

As at 31 March 2003, the Group and the Company did not have any significant unprovided deferred tax liabilities (2002: Nil).

26. SHARE CAPITAL

	2003	2002
	HK$'000	HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
312,000,000 ordinary shares of HK$0.10 each	**31,200**	31,200

Share options

Details of the Company's share option scheme are included in note 27 to the financial statements.

27. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Share option scheme" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company's previous share option scheme (the "Old Scheme") operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Old Scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 October 2000.

On 30 August 2002, an ordinary resolution of the Company was passed to terminate the Old Scheme and adopt a new share option scheme (the "New Scheme") in order to comply with the Listing Rules in respect of share option schemes. Eligible participants of the New Scheme include the Company's directors, including independent non-executive directors, employees of the Group and entity in which the Group has equity interests, suppliers of goods or services to the Group, customers of the Group and consultants, advisers, managers, officers or entities that provide technological support to the Group. The New Scheme became effective on 30 August 2002 and, unless otherwise cancelled or amended, will remain in force for six years from that date.

Under the New Scheme, the maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme in any 12-month period may not exceed 1% of the issued share capital of the Company. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

27. SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within 21 days from the date of the offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted to grantees (a) other than suppliers and customers shall be one year after the grant of an option and expire on the earlier of the last day of (i) a six year period from the date of such grant and (ii) the expiration of the scheme; (b) who are suppliers and customers of the Group, such period shall commence on the date of grant and expire one year thereafter.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the share options; and (iii) the nominal value for the time being of each share.

No share options have been granted or agreed to be granted under the Old Scheme or the New Scheme up to the date of approval of these financial statements.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

28. RESERVES

Group	Share premium account HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve and enterprise expansion funds HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 April 2001	50,006	4,800	4,730	(140)	–	132,432	12,480	204,308
Final 2001 dividend declared	–	–	–	–	–	–	(12,480)	(12,480)
Revaluation deficit	–	–	(128)	–	–	–	–	(128)
Net profit for the year	–	–	–	–	–	27,052	–	27,052
Translation differences arising on consolidation	–	–	–	(144)	–	–	–	(144)
Transfer to legal reserve	–	–	–	–	510	(510)	–	–
At 31 March 2002 and 1 April 2002	50,006	4,800	4,602	(284)	510	158,974	–	218,608
Revaluation deficit (note 14)	–	–	(14)	–	–	–	–	(14)
Net loss for the year	–	–	–	–	–	(46,216)	–	(46,216)
Translation differences arising on consolidation	–	–	–	883	–	–	–	883
At 31 March 2003	50,006	4,800	4,588	599	510	112,758	–	173,261

In accordance with PRC relevant laws and regulations, the Group's subsidiaries in the PRC are required to transfer part of their profits after tax to the reserve and enterprise expansion funds, which are non-distributable, before profit distributions are made.

28. RESERVES (continued)

Company	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 April 2001	50,006	115,468	229	12,480	178,183
Final 2001 dividend declared	–	–	–	(12,480)	(12,480)
Net loss for the year	–	–	(131)	–	(131)
At 31 March 2002 and 1 April 2002	50,006	115,468	98	–	165,572
Net loss for the year	–	–	(2,175)	–	(2,175)
At 31 March 2003	50,006	115,468	(2,077)	–	163,397

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus of the Company represents the excess of the then combined net asset value of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, the contributed surplus of the Company is distributable to shareholders under certain circumstances.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

	2003 **HK$'000**	2002 HK$'000
Net assets acquired:		
Fixed assets	**508**	–
Intangible assets – Technical know-how	**27,498**	–
Accruals and other payables	**(6)**	–
Due to a shareholder	**(4,888)**	–
	23,112	–
Acquisition of balance due to a shareholder	**4,888**	–
	28,000	–
Satisfied by:		
Cash	**28,000**	–

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2003 **HK$'000**	2002 HK$'000
Cash consideration	**(28,000)**	–
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**(28,000)**	–

On 22 August 2002, the Group acquired a 100% equity interest in Eastern Century Speed Inc. ("Eastern Century") from an independent third party (the "Vendor"). Eastern Century is engaged in the development of an electrical interconnection technique. The purchase consideration for the acquisition of Eastern Century (the "Acquisition") was in the form of cash of HK$28,000,000. The intangible assets of Eastern Century were valued by Castores on the "fair market value" in continued use basis with a valuation of HK$28,000,000.

Since the Acquisition, the technical know-how was utilised by the Group in its production lines and production equipment business.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(a) Acquisition of a subsidiary (continued)

As at the date of the Acquisition, Eastern Century was indebted to the Vendor in the amount of approximately HK$4,888,000 (the "Vendor Loan"). In connection with the Acquisition, on 22 August 2002, the Vendor entered into a deed of assignment with Eastern Century and Frontier Precision System Co., Limited ("FPS"), a wholly-owned subsidiary of the Company, in which the Vendor agreed to assign the Vendor Loan to FPS at a consideration of HK$10.

Since the Acquisition, Eastern Century has made no contribution to the Group's turnover, but incurred a loss of approximately HK$5,225,000 included in the consolidated net loss from ordinary activities attributable to shareholders for the year ended 31 March 2003. The aforementioned loss mainly comprised the amortisation of technical know-how of approximately HK$5,134,000 (note 15).

(b) Disposal of a subsidiary

	2003 HK$'000	2002 HK$'000
Net liabilities disposed of:		
Fixed assets	**43,591**	–
Cash and bank balances	**355**	–
Accounts receivable	**13,428**	–
Inventories	**3,125**	–
Prepayments, deposits and other receivables	**1,583**	–
Due from directors	**2,730**	–
Accounts payable	**(14,224)**	–
Accruals and other payables	**(11,812)**	–
Due to intermediate holding company	**(16,686)**	–
Due to directors	**(781)**	–
Tax payable	**(997)**	–
Interest-bearing bank borrowings	**(16,687)**	–
Finance lease payables	**(2,162)**	–
Deferred tax	**(1,878)**	–
	(415)	–
Due to the intermediate holding company disposed of	**16,686**	–
Gain on disposal of a subsidiary	**379**	–
	16,650	–
Satisfied by:		
Cash	**16,650**	–

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of a subsidiary (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2003	2002
	HK$'000	HK$'000
Cash consideration	**16,650**	–
Cash and bank balances disposed of	**(355)**	–
Bank overdrafts disposed of	**6,931**	–
	23,226	–
Unsettled amount as at 31 March	**(14,150)**	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**9,076**	–

The results of the subsidiary disposed of in the year ended 31 March 2003 are set out in note 6 to the financial statements.

30. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property (note 14 to the financial statements) under an operating lease arrangement, with the lease negotiated for a term of two years. The terms of the lease generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At 31 March 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenant falling due as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within one year	**84**	56
In the second to fifth years, inclusive	**54**	–
	138	56

(b) As lessee

The Group leases certain of its factory premises under operating lease arrangements. Leases for these assets are negotiated for terms ranging from one to three years.

At 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within one year	**905**	4,860
In the second to fifth years, inclusive	**1,978**	18,281
After five years	**–**	19,903
	2,883	43,044

The Company did not have any significant operating lease arrangements at the balance sheet date (2002: Nil).

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30(b) above, the Group had the following commitments as at the balance sheet date:

	Group	
	2003	2002
	HK$'000	HK$'000
Capital commitments in respect of the acquisition of fixed assets:		
Contracted, but not provided for	**974**	4,854

At the balance sheet date, the Group had commitments in respect of equity injections to its PRC subsidiaries amounting to HK$4,500,000 (2002: Nil).

The Company did not have any significant commitments at the balance sheet date (2002: Nil).

32. CONTINGENT LIABILITIES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees of banking facilities granted to subsidiaries	**–**	–	**106,591**	86,000

At the balance sheet date, credit facilities supported by guarantees provided by the Company to its subsidiaries were utilised to the extent of approximately HK$59 million (2002: HK$6 million).

33. POST BALANCE SHEET EVENTS

On 25 June 2003, Sun East Sanki Co., Limited ("SES") was incorporated in Hong Kong with limited liability. The Group has agreed to inject HK$1,000,000 into SES. The Group will hold 50% equity interest in SES.

34. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 July 2003.