THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult a stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in South Sea Holding Company Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

南海控股有限公司
SOUTH SEA HOLDING COMPANY LTD

South Sea Holding Company Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

CONNECTED TRANSACTION
involving the subscription of South Sea Notes by Sino-i's wholly owned subsidiary

and

MAJOR AND CONNECTED TRANSACTION
involving the acquisition by the Company of New Sino-i Shares

Independent Financial Adviser to the Independent Director

第一上海
FIRST SHANGHAI GROUP

First Shanghai Capital Limited

A notice convening a special general meeting of the Company to be held at Salon II, The Ballroom Level (B3), The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on 16 April 2004 at 10:00 a.m. is set out on pages 208 to 210 of this circular. A form of proxy is also enclosed. Whether or not you are able to attend and vote at the special general meeting, you are requested to complete and return the enclosed form of proxy to the branch share registrars of the Company in Hong Kong, Abacus Share Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the special general meeting. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the special general meeting or any adjourned meetings should you so wish.

23 March 2004

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In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

"associates"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"CITIC"	CITIC Group（中國中信集團公司）(formerly known as China International Trust & Investment Corporation), a company established in the People's Republic of China which, together with its associates (including Macro Resources Limited, a company as to 40% of which is indirectly held by CITIC), are one of the substantial shareholders of Sino-i holding 3,419,660,000 Sino-i Shares as at the Latest Practicable Date, representing about 17.35% of the existing issued share capital of Sino-i
"Capital Reduction"	a proposed reduction of capital of Sino-i which will involve (i) adjusting the nominal value of the Sino-i Shares by cancelling paid-up capital to the extent of HK$0.09 on each of the issued Sino-i Shares and reducing the nominal value of all issued and unissued Sino-i Shares from HK$0.10 to HK$0.01; and (ii) reducing the share premium account of Sino-i by an amount of HK$433,541,062.55
"Code"	The Hong Kong Code on Takeovers and Mergers
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	South Sea Holding Company Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Completion"	completion of the Sale and Purchase Agreement
"Consideration Shares"	a total of 27,120,395,500 new South Sea Shares to be issued in partial satisfaction of the consideration payable to the Vendors under the Sale and Purchase Agreement
"Conversion Shares"	South Sea Shares that fall to be issued to Robina upon conversion of the South Sea Notes
"Court"	the High Court of Hong Kong
"Directors"	directors of the Company including the independent non-executive directors

"Distribution"	a proposed distribution of South Sea Shares held by Sino-i's wholly owned subsidiaries to the Qualifying Shareholders pro rata to their respective shareholdings held in Sino-i on the Record Date
"Enlarged Group"	the South Sea Group as enlarged by the Sino-i Group following Completion
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
"Existing Sino-i Group"	Sino-i and its subsidiaries as at the Latest Practicable Date, including members of the South Sea Group
"First Shanghai"	First Shanghai Capital Limited, a deemed licensed corporation under the SFO and the independent financial adviser to the Independent Director
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Director"	Mr. Chan Lap Stanley, an independent non-executive Director, appointed to advise the Independent Shareholders in respect of the Subscription Agreement and the Sale and Purchase Agreement
"Independent Shareholders"	South Sea Shareholders (other than Sino-i, the Vendors and their respective associates)
"Latest Practicable Date"	19 March 2004, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listar"	Listar Properties Limited, a company incorporated in the British Virgin Islands, 49% of the issued share capital of which is owned by the Company, and the remaining 51% of which is owned by Sino-i as at the Latest Practicable Date
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Yu"	Mr. Yu Pun Hoi, an executive director and the chairman of the Company and Sino-i, who, together with his associates (including Macro Resources Limited, a company as to 60% of which is indirectly held by Mr. Yu), are one of the substantial shareholders of Sino-i holding 8,702,325,316 Sino-i Shares as at the Latest Practicable Date, representing about 44.14% of the issued share capital of Sino-i

"New Sino-i Share(s)"	the new ordinary share(s) of HK$0.01 each in the capital of Sino-i upon the Capital Reduction becoming effective
"Overseas Shareholders"	the Sino-i Shareholders, whose names appear on the register of members of Sino-i on the Record Date and whose addresses on that date are in places outside Hong Kong
"Placing and Underwriting Agreement"	the placing and underwriting agreement entered into on 4 April 2002 between Mr. Yu and Sino-i (details of which are disclosed in Sino-i's announcement dated 4 April 2002 and circular dated 29 April 2002), as amended and supplemented by two supplemental agreements dated 27 March 2003 and 30 June 2003 respectively (details of which are disclosed in Sino-i's announcements dated 28 March 2003 and 4 July 2003 and circular dated 18 August 2003)
"Qualifying Shareholders"	the Sino-i Shareholders, other than the Overseas Shareholders, whose names appear on the register of members of Sino-i on the Record Date
"Record Date"	a date to be determined and announced by Sino-i for the purpose of ascertaining the entitlements of the Qualifying Shareholders to participate in the Distribution
"Robina"	Robina Profits Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Sino-i
"Sale and Purchase Agreement"	the agreement entered into on 29 December 2003 between the Company and the Vendors relating to the acquisition by the Company of the Sale Shares
"Sale Shares"	a total of 12,515,795,316 New Sino-i Shares to be sold by the Vendors to the Company under the Sale and Purchase Agreement, which will represent about 62.85% of Sino-i's enlarged issued share capital following the conversion of all Sino-i Notes in issue
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held at Salon II, The Ballroom Level (B3), The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on 16 April 2004 at 10:00 a.m. and any adjournment thereof
"Sino-i"	Sino-i Technology Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange

"Sino-i Notes"	convertible loan notes issued by Sino-i to Procare Group Limited (an independent investor), CITIC Capital Active Partner Fund Limited (formerly known as The Ka Wah Five Arrows China Hong Kong Fund Limited, an associate of CITIC) and First Best Assets Limited (a company wholly owned by Mr. Yu) pursuant to the Placing and Underwriting Agreement (details of which are disclosed in Sino-i's announcements dated 4 April 2002, 28 March 2003 and 4 July 2003 and circulars dated 29 April 2002 and 18 August 2003)
"Sino-i Group"	Sino-i and its subsidiaries, but excluding members of the South Sea Group
"Sino-i Share(s)"	the existing ordinary share(s) of HK$0.10 each in the capital of Sino-i
"Sino-i Shareholders"	holders of Sino-i Shares or, as the case may be, New Sino-i Shares
"South Sea Group"	the Company and its subsidiaries
"South Sea Notes"	convertible loan notes in an aggregate principal amount of HK$200,000,000 to be issued by the Company to Robina, a wholly owned subsidiary of Sino-i, in accordance with the Subscription Agreement
"South Sea Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"South Sea Shareholders"	holders of South Sea Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the agreement entered into on 29 December 2003 between Robina, a wholly owned subsidiary of Sino-i, and the Company relating to the subscription of the South Sea Notes
"Vendors"	(1) First Best Assets Limited, (2) Rosewood Assets Limited, (3) Pippen Limited, (4) Staverley Assets Limited, (5) 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited), (6) Macro Resources Limited and (7) Empire Gate Industrial Limited who are parties acting in concert with each other and collectively the controlling shareholders of Sino-i

南海控股有限公司
SOUTH SEA HOLDING COMPANY LTD

South Sea Holding Company Limited

(Incorporated in Bermuda with limited liability)

Directors:
YU Pun Hoi *(Chairman)*
ZHANG Hong Ren
ZHAO Liang
YU Lin Hoi
LAM Bing Kwan
* CHAN Lap Stanley
* Francisco P. ACOSTA

Non-executive Directors
* *Independent Non-executive Directors*

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Place of Business:
39th Floor
New World Tower I
16-18 Queen's Road Central
Hong Kong

To the shareholders of the Company

23 March 2004

Dear Sir or Madam,

CONNECTED TRANSACTION
involving the subscription of South Sea Notes
by Sino-i's wholly owned subsidiary

and

MAJOR AND CONNECTED TRANSACTION
involving the acquisition by the Company
of New Sino-i Shares

INTRODUCTION

The Company and Sino-i jointly announced on 29 December 2003 that (a) Robina (a wholly owned subsidiary of Sino-i) and the Company have entered into the Subscription Agreement, and (b) the Vendors (who are collectively the controlling shareholders of Sino-i) and the Company have entered into the Sale and Purchase Agreement.

Pursuant to the Subscription Agreement, the Company agreed to issue and Robina agreed to subscribe for the South Sea Notes in an aggregate principal amount of HK$200,000,000 at a consideration of the same amount. The South Sea Notes are convertible into a total of 11,111,111,111 South Sea Shares at an initial conversion price of HK$0.018 each (subject to adjustments). Robina has confirmed to the Company that, if the South Sea Notes are issued, it will convert the entire principal amount under these notes into South Sea Shares prior to the Distribution.

Sino-i also announced on 29 December 2003 that it proposes to implement (a) the Capital Reduction which will involve (i) adjusting the nominal value of the Sino-i Shares by cancelling paid up capital to the extent of HK$0.09 on each of the issued Sino-i Shares and reducing the nominal value of all issued and unissued Sino-i Shares from HK$0.10 to HK$0.01; and (ii) reducing the share premium account of Sino-i by an amount of HK$433,541,062.55; and (b) the Distribution which will involve applying the credit arising from the Capital Reduction to effect a distribution of substantially all of the South Sea Shares then held by Sino-i's wholly owned subsidiaries to the Qualifying Shareholders pro rata to their shareholding interests in Sino-i held on the Record Date. Following completion of the Distribution, Sino-i will cease to have any interest in the Company, and Mr. Yu, CITIC, Mr. Yiu Kin Wai and their respective associates and parties acting in concert with them will collectively become the controlling shareholders of the Company interested in about 52.27% of its then total issued share capital.

Pursuant to the Sale and Purchase Agreement, following the completion of the Distribution, the Company agreed to acquire from the Vendors a total of 12,515,795,316 New Sino-i Shares at a consideration of HK$976,334,238 (subject to adjustments), representing a price of approximately HK$0.078 each. Half of the consideration will be satisfied by an issue of 27,120,395,500 Consideration Shares at a price of HK$0.018 each to the Vendors upon Completion and the remaining half of the consideration will be satisfied by cash payments totalling HK$488,167,119 (subject to adjustments) to the Vendors on the date falling 60 months after the date of Completion or such later date as may be agreed among the Vendors and the Company. Following completion of the Sale and Purchase Agreement, the Company will become the holding company of Sino-i and interested in about 62.85% of the then total issued share capital of Sino-i. The interests held in the Company by its then controlling shareholders (i.e. Mr. Yu, CITIC, Mr. Yiu Kin Wai and their respective associates and parties acting in concert with them) will be increased from about 52.27% immediately following the Distribution to about 71.26% immediately following completion of the Sale and Purchase Agreement.

Completion of the Distribution is conditional on, amongst others, the Subscription Agreement having been completed and the South Sea Notes having been converted in full into South Sea Shares. Completion of the Sale and Purchase Agreement is subject to, amongst others, the completion of the Subscription Agreement, full conversion of the South Sea Notes and completion of the Distribution.

The transactions contemplated under the Subscription Agreement constitute connection transactions of the Company and the transactions under the Sale and Purchase Agreement constitute major and connected transactions of the Company pursuant to the Listing Rules, and will be subject to the approval of the Independent Shareholders at the SGM. Sino-i, the Vendors and their respective associates will abstain from voting on the resolutions to approve the Subscription Agreement and the Sale and Purchase Agreement.

The purpose of this circular is to provide further information on the Subscription Agreement, the Distribution and the Sale and Purchase Agreement.

SUBSCRIPTION AGREEMENT

Date: 29 December 2003

Parties

Subscriber: Robina, a wholly owned subsidiary of Sino-i currently interested in approximately 1.34% of the Company's issued share capital. Sino-i, through Robina and two other wholly owned subsidiaries of Sino-i, holds a controlling interest of approximately 67.71% in the Company

Issuer: the Company

Principal provisions of the Subscription Agreement

1. The Company has agreed to issue to Robina the South Sea Notes in an aggregate principal amount of HK$200,000,000 on completion of the Subscription Agreement.

2. The South Sea Notes will be issued to Robina at a consideration equal to the aggregate principal amount of the South Sea Notes to be satisfied on completion of the Subscription Agreement by way of set off against the corresponding amount of the shareholder's loan granted by Sino-i to the Company on 31 December 2003. (Further details relating to this shareholder's loan are set out in the paragraph headed "Subscription Agreement and use of proceeds" under the section headed "Reasons for the transactions" below.).

It was disclosed in the joint announcement of Sino-i and the Company dated 29 December 2003 that the consideration for the South Sea Notes would be satisfied in cash on completion of the Subscription Agreement. It was also disclosed that the net proceeds raised from the issue of the South Sea Notes would be wholly used to discharge the outstanding indebtedness in an amount of about HK$210,000,000 owing by the Company to Power Ocean Investments Limited, which would become due and payable by the Company on 31 December 2003, and that the Company was in negotiation with Power Ocean Investments Limited for an extension of the repayment date for such debt. No such extension was agreed subsequent to the publication of the joint announcement. Accordingly, the Company negotiated with Sino-i for the granting of a shareholder's loan in a principal amount of HK$210,000,000 to the Company to finance the full repayment of its debt due to Power Ocean Investments Limited on 31 December 2003.

This shareholder's loan is unsecured, will bear interest at the rate of 1% per annum, payable quarterly commencing from the date of drawdown. If the Subscription Agreement becomes unconditional and proceeds to completion, HK$200,000,000 out of the HK$210,000,000 owing by the Company under the shareholder's loan will become repayable to Sino-i on completion of the Subscription Agreement by way of set off against the consideration payable by Robina for the South Sea Notes. In any event, the entire outstanding amount of the shareholder's loan will become fully repayable in one lump sum on the expiry of a one year period following drawdown or such longer period as may be agreed between Sino-i and the Company. The Directors (including the independent non-executive Directors) are of the view that the granting of this shareholder's loan is on normal commercial terms for a loan transaction of this nature and consider them to be fair and reasonable from the Company's perspective.

Given this, the Company now owes to Sino-i a principal amount of HK$210,000,000, instead of being indebted to Power Ocean Investments Limited for that amount as described in the joint announcement. The consideration for the South Sea Notes will therefore be used to set off against the corresponding amount of the loan now owing by the Company to Sino-i. (Shareholders' attention is drawn to the further details relating to this loan set out in the section headed "Subscription Agreement and use of proceeds" below.)

Conditions of Subscription Agreement

Completion of the Subscription Agreement is conditional upon:

1. the passing by Sino-i Shareholders (other than Mr. Yu, CITIC and their respective associates) in general meeting of the necessary resolutions approving the Subscription Agreement and the transactions contemplated in or incidental to the Subscription Agreement and the implementation thereof in accordance with the Listing Rules;

2. the passing by the Independent Shareholders in general meeting of the necessary resolutions approving the Subscription Agreement, the issue of the South Sea Notes and the Conversion Shares, all other transactions contemplated in or incidental to the Subscription Agreement and the implementation thereof in accordance with the Listing Rules;

3. if required, the Bermuda Monetary Authority having granted its permission for the issue and free transferability of the South Sea Notes and the Conversion Shares; and

4. the Stock Exchange granting listing of and permission to deal in the Conversion Shares which may fall to be issued on conversion in full of the South Sea Notes (either unconditionally or subject to conditions to which the Company does not reasonably object).

If these conditions are not fulfilled by the date falling 90 days from the date of the Subscription Agreement (i.e. 28 March 2004) or such other date as the parties may agree, the Subscription Agreement will lapse and no party will have any claim against the other save in respect of any antecedent breaches.

Completion

Completion of the Subscription Agreement is expected to take place on the day that the conditions specified above are fulfilled or such other date as Robina and the Company may agree.

Principal Terms of the South Sea Notes

1. The principal amount outstanding under the South Sea Notes will bear interest at the rate of 1% per annum payable quarterly in arrears commencing three months after the date of issue of the South Sea Notes and will, unless previously converted, be repaid by the Company to the holder of such notes on the maturity date, which is the date falling 12 months from the date of issue of the South Sea Notes.

2. A holder of the South Sea Notes may convert all or any part of the principal amount outstanding under the notes into South Sea Shares at an initial conversion price of HK$0.018 (subject to adjustments commonly made upon the occurrence of such events as capital restructuring or distribution, capitalisation of profits or reserves, rights issue of shares, grant of options or warrants, or issue of convertible securities and on bases which are appropriate for the event in question) at any time from the business day after the date of issue of the notes up to and including the business day before the maturity date. In order to allow the Company to opt for the settlement of the outstanding indebtedness under the South Sea Notes by way of South Sea Shares instead of by cash, the Company may also require a holder of the notes to convert all or any part of the outstanding principal amount under the notes into South Sea Shares at any time during that period and on terms described above.

3. All Conversion Shares will be issued free from all claims, charges, lien, encumbrances and equities and be identical and will rank pari passu in all respects with the South Sea Shares then in issue.

4. A holder of the South Sea Notes will not be entitled to attend or vote at any general meetings of the Company by reason only of it being the holder of such notes.

5. No application will be made for the listing of or permission to deal in any of the South Sea Notes on the Stock Exchange or any other stock exchange and none of these notes may be assigned or transferred unless with the prior approval of the Company and, if so required, the Stock Exchange.

The Conversion Shares

Robina has confirmed to the Company that, if the South Sea Notes are issued, it will convert the entire principal amount under these notes into South Sea Shares prior to the Distribution. If the entire principal amount of the South Sea Notes is converted at the initial conversion price of HK$0.018 per South Sea Share, a total number of 11,111,111,111 South Sea Shares will fall to be issued. These Conversion Shares represent approximately 37.12% of the existing issued share capital of the Company and approximately 27.07% of the issued share capital of the Company as enlarged by the Conversion Shares.

The initial conversion price of HK$0.018 per South Sea Share was determined after arm's length negotiation between Robina and the Company. This price represents (i) a premium of 20% to the closing price of HK$0.015 per South Sea Share as quoted on the Stock Exchange on 24 December 2003, being the last trading day before the date of the Subscription Agreement; (ii) a discount of approximately 18.18% to the closing price of HK$0.022 per South Sea Share as quoted on the Stock Exchange as at the Latest Practicable Date; (iii) a discount of approximately 19.64% to the average closing price of HK$0.0224 per South Sea Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Latest Practicable Date; (iv) a discount of approximately 26.23% to the average closing price of HK$0.0244 per South Sea Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Latest Practicable Date; and (v) a discount of approximately 77.22% to the audited consolidated net asset value of approximately HK$0.079 per South Sea Share as recorded in the latest audited consolidated accounts of the Company for the year ended 31

March 2003. Although the initial conversion price of HK$0.018 per South Sea Share represents a substantial discount to the audited consolidated net asset value of HK$0.079 per South Sea Share, it represents a premium of 20% to the closing price of HK$0.015 per South Sea Share as quoted on the Stock Exchange on 24 December 2003. As such, the executive directors of the Company believe that the initial conversion price of HK$0.018, which has been determined after arm's length negotiation between Robina and the Company, is fair and reasonable from the perspective of the Company.

Application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Shareholding Structures of the Company

The shareholding structures of the Company before and after conversion in full of the South Sea Notes at a conversion price of HK$0.018 are illustrated below:

	Shareholding as at the Latest Practicable Date		**Shareholding structure after full conversion of the South Sea Notes**	
Name of shareholders	*No. of shares*	*%*	*No. of shares*	*%*
Victorious Limited *(Note)*	11,976,270,000	40.01%	11,976,270,000	29.18%
Robina Profits Limited *(Note)*	400,000,000	1.34%	11,511,111,111	28.05%
Ko Tact Limited *(Note)*	7,890,450,000	26.36%	7,890,450,000	19.22%
Sub-total held by Sino-i's wholly owned subsidiaries	**20,266,720,000**	**67.71%**	**31,377,831,111**	**76.45%**
Public	9,665,084,183	32.29%	9,665,084,183	23.55%
Total issued share capital:	**29,931,804,183**	**100.00%**	**41,042,915,294**	**100.00%**

Note: Victorious Limited, Robina Profits Limited and Ko Tact Limited are all wholly owned subsidiaries of Sino-i.

Upon full conversion of the South Sea Notes, the aggregate shareholding interests in the Company held by Sino-i's wholly owned subsidiaries will be increased from approximately 67.71% to approximately 76.45% and the interests in the Company held by the public will be diluted from approximately 32.29% to approximately 23.55%.

According to the directors of Sino-i, Sino-i intends to maintain the listing status of the Company. The directors of Sino-i also propose to implement the Distribution immediately following the conversion of the South Sea Notes. The Distribution is proposed to be made on the basis of 15,756 South Sea Shares for every 10,000 Sino-i Shares or New Sino-i Shares (as the case may be) held by the Qualifying Shareholders on the Record Date. On this basis, and on the basis of 19,914,504,877 Sino-i Shares or New Sino-i Shares (as the case may be) then in issue, a total of 31,377,293,883 South Sea Shares, representing substantially all of the 31,377,831,111 South Sea Shares then held by Sino-i's wholly owned subsidiaries (including the Conversion Shares to be issued to Robina), will be distributed to the Qualifying

Shareholders pro rata to their respective shareholding interests in Sino-i. The remaining 537,228 South Sea Shares not so distributed will be disposed of in the market by a brokerage to be appointed by Sino-i and the proceeds from such disposal will be retained for the benefit of Sino-i. Following completion of the Distribution, it is expected that those South Sea Shares held by the public will amount to 19,590,868,753 in number and will represent about 47.73% of the then issued share capital of the Company and the public float requirement in respect of the South Sea Shares will be restored in compliance with the Listing Rules. (The expected shareholding structures of the Company following the conversion of the South Sea Notes and the Distribution are illustrated under the section headed "Distribution" below.) Robina has informed the Company that, if the South Sea Notes are issued, it intends to fully convert them into South Sea Shares immediately before the Distribution is to be implemented, subject to any ancillary directions to the contrary which may be given by the Court in relation to the Capital Reduction and Distribution.

According to the directors of Sino-i, Sino-i intends to maintain the listing status of the Company and, in the event that the Distribution is not completed following full conversion of the South Sea Notes, Sino-i intends to procure its wholly owned subsidiaries to place out part of their respective interests in the Company and/or procure the Company to issue new shares to the public to restore the public float requirement for the South Sea Shares. **Sino-i and the Company have jointly and severally undertaken to the Stock Exchange that, if the Distribution is not approved or otherwise completed following full conversion of the South Sea Notes, they will take appropriate steps (including procuring a placement of the South Sea Shares held by Sino-i's wholly owned subsidiaries and/or issuance of new South Sea Shares to the public) as soon as practicable to ensure that not less than 25% of the then issued share capital of the Company will be held by the public within one month following full conversion of the South Sea Notes or such longer period as may be permitted by the Stock Exchange.** Further announcement will be made in the event that the Distribution fails to become unconditional and be completed.

Sino-i and the Company have also jointly and severally undertaken to the Stock Exchange that they will inform the Stock Exchange immediately before the conversion of the South Sea Notes for its assessment on whether suspension in dealings of the South Sea Shares is required in the event that less than 25% of the South Sea Shares are in public hands following the full conversion of the South Sea Notes.

The Stock Exchange has stated that, if less than 25% of the South Sea Shares are in public hands following full conversion of the South Sea Notes or if the Stock Exchange believes that a false market exists or may exist in the trading of the South Sea Shares or that there are insufficient South Sea Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the South Sea Shares. Shareholders and investors are advised to exercise caution when dealing in the South Sea Shares.

DISTRIBUTION

Sino-i proposes to implement:

(a) the Capital Reduction which will involve (i) adjusting the nominal value of the Sino-i Shares by cancelling paid up capital to the extent of HK$0.09 on each of the issued Sino-i Shares and reducing the nominal value of all issued and unissued Sino-i

Shares from HK$0.10 to HK$0.01; and (ii) reducing the share premium account of Sino-i by an amount of HK$433,541,062.55; and

(b) the Distribution which will involve applying the entire credit of HK$2,225,846,501.48 arising from the Capital Reduction to effect a distribution of substantially all of the South Sea Shares then held by Sino-i's wholly owned subsidiaries to the Qualifying Shareholders pro rata to their shareholding interests in Sino-i held on the Record Date.

Completion of the Capital Reduction and the Distribution is subject to the fulfilment of the following conditions:

1. completion of the Subscription Agreement and conversion in full of all South Sea Notes into South Sea Shares;

2. the passing of special resolutions by Sino-i Shareholders to approve the Capital Reduction and the Distribution at an extraordinary general meeting to be convened by Sino-i;

3. an order having been obtained from the Court confirming the Capital Reduction and the Distribution and the registration by the Registrar of Companies in Hong Kong of an office copy of the Court order and the minutes containing those particulars required under section 61 of the Companies Ordinance;

4. the Stock Exchange granting listing of and permission to deal in the New Sino-i Shares in issue following completion of the Capital Reduction (either unconditionally or subject to conditions to which Sino-i does not reasonably object); and

5. a waiver having been granted by the Executive waiving any obligation on the part of Mr. Yu, CITIC and parties acting in concert with them to make a mandatory general offer for South Sea Shares under Rule 26 of the Code as a result of the implementation of the Distribution.

The Distribution is proposed to be implemented on the basis of 15,756 South Sea Shares for every 10,000 Sino-i Shares or New Sino-i Shares (as the case may be) held by the Qualifying Shareholders on the Record Date. In particular, the Distribution will not be effected unless the Subscription Agreement is completed and all South Sea Notes are converted in full so that a total of 31,377,831,111 South Sea Shares will be held by Sino-i's wholly owned subsidiaries at that time. According to the directors of Sino-i, CITIC Capital Active Partner Fund Limited, being the holder of all the HK$20,000,000 Sino-i Notes that remained outstanding as at the Latest Practicable Date, has confirmed that it will fully convert its Sino-i Notes into a total of 200,000,000 Sino-i Shares prior to the Capital Reduction and Distribution so that 19,914,504,877 Sino-i Shares will be in issue at that time. On the bases described above, it is expected that a total of 31,377,293,883 South Sea Shares will be distributed under the Distribution.

Based on the above and on the records of the Company and information supplied by Sino-i, and assuming no further changes to the respective shareholding interests of the Sino-i Shareholders between the Latest Practicable Date and the Record Date, the shareholding structures of the Company before and after conversion of the South Sea Notes and completion of the Distribution are expected to be as follows:

	Shareholding as at the Latest Practicable Date		Shareholding structure after full conversion of the South Sea Notes		Shareholding structure after the Distribution	
Name of shareholders	*No. of shares*	*%*	*No. of shares*	*%*	*No. of shares*	*%*
Victorious Limited	11,976,270,000	40.01%	11,976,270,000	29.18%	0	0%
Robina Profits Limited	400,000,000	1.34%	11,511,111,111	28.05%	0	0%
Ko Tact Limited	7,890,450,000	26.36%	7,890,450,000	19.22%	0	0%
Sub-total held by Sino-i's wholly owned subsidiaries	**20,266,720,000**	**67.71%**	**31,377,831,111**	**76.45%**	**0**	**0%**
Mr. Yu & his associates (other than Macro Resources Limited) #	0	0%	0	0%	12,135,783,767	29.569%
CITIC & its associates (other than Macro Resources Limited) #	0	0%	0	0%	4,127,536,296	10.057%
Macro Resources Limited * #	0	0%	0	0%	1,575,600,000	3.839%
Yiu Kin Wai & his associates #	0	0%	0	0%	3,611,795,148	8.800%
Sub-total held by concert parties	**0**	**0%**	**0**	**0%**	**21,450,715,211**	**52.265%**
Zhang Hong Ren, an executive director of Sino-i and the Company	**0**	**0%**	**0**	**0%**	**794,102**	**0.001%**
Existing public shareholders of Sino-i *(Note)*	0	0%	0	0%	9,925,784,570	24.184%
Existing public shareholders of the Company *(Note)*	9,665,084,183	32.29%	9,665,084,183	23.55%	9,665,084,183	23.549%
Sub-total held by public shareholders of the Company	**9,665,084,183**	**32.29%**	**9,665,084,183**	**23.55%**	**19,590,868,753**	**47.733%**
Remaining part not distributed to be sold in the market for Sino-i's benefit	0	0%	0	0%	537,228	0.001%
Total issued share capital:	**29,931,804,183**	**100%**	**41,042,915,294**	**100%**	**41,042,915,294**	**100%**

* *a company indirectly held as to 60% and 40% by Mr. Yu and CITIC respectively.*

\# *Mr. Yu, CITIC and parties acting in concert with them*

Note: Based on the records of Sino-i and the Company as at the Latest Practicable Date, and assuming no further changes to the respective shareholdings of the Sino-i Shareholders and the South Sea Shareholders up to the Record Date, none of the existing public shareholders of Sino-i and the Company would become a substantial shareholder of the Company as a result of the Distribution.

The expected timetable for the implementation of the Capital Reduction and the Distribution has not been determined as yet. As described above, the Capital Reduction and the Distribution will be subject to confirmation by the Court. The related petition to the Court for an order confirming the reduction would only be made following the passing by Sino-i Shareholders of a special resolution in general meeting approving the Capital Reduction and the Distribution. Since the timing for much of the events occurring after the general meeting will necessarily be subject to the availability of the Court to hear Sino-i's petition for confirmation and subject to any ancillary directions that might be given by the Court in relation to the Capital Reduction and the Distribution, the expected date on which the Court order might be obtained, the effective date for the Capital Reduction, the timetable for the Distribution thereafter and for Completion cannot be ascertained with any reasonable degree of certainty as at the Latest Practicable Date. Further announcement will be made as soon as practicable once the expected timetable for these events is ascertained.

SALE AND PURCHASE AGREEMENT

Date: 29 December 2003

Parties

Purchaser: the Company

Vendors: (1) First Best Assets Limited, (2) Rosewood Assets Limited, (3) Pippen Limited, (4) Staverley Assets Limited, (5) 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited), (6) Macro Resources Limited and (7) Empire Gate Industrial Limited

First Best Assets Limited, Rosewood Assets Limited and Pippen Limited are companies ultimately wholly owned by Mr. Yu.

Staverley Assets Limited and 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited) are wholly owned subsidiaries of CITIC which itself is a state-owned enterprise in the People's Republic of China.

Macro Resources Limited is indirectly held as to 60% by Mr. Yu and 40% by CITIC.

Empire Gate Industrial Limited is a company wholly owned by Mr. Yiu Kin Wai.

The Vendors and their ultimate beneficial owners are all parties acting in concert with each other. In addition, the Vendors and their respective associates are collectively the majority shareholders of Sino-i. Through their interests in Sino-i, the Vendors and their respective associates can control the exercise of over 10% of the voting powers at general meetings of the Company. They are therefore collectively a substantial shareholder of the Company and connected persons of the Company for the purposes of the Listing Rules.

Sale Shares

Pursuant to the Sale and Purchase Agreement, the Company has agreed to purchase from the Vendors a total of 12,515,795,316 New Sino-i Shares, which represent about 63.49% of the total issued share capital of Sino-i as at the Latest Practicable Date and will represent about 62.85% of Sino-i's enlarged issued share capital following the conversion of the Sino-i Notes in issue.

According to Sino-i, its total issued share capital as at the Latest Practicable Date comprised 19,714,504,877 Sino-i Shares and Sino-i Notes in an aggregate principal amount of HK$20,000,000 remained outstanding. Sino-i advised that these Sino-i Notes are currently held by CITIC Capital Active Partner Fund Limited (formerly known as The Ka Wah Five Arrows China Hong Kong Fund Limited), an associate of CITIC and a party presumed to be acting in concert with CITIC under the Code, and CITIC Capital Active Partner Fund Limited had confirmed to Sino-i that it would fully convert its Sino-i Notes into a total of 200,000,000 Sino-i Shares prior to the implementation of the Capital Reduction and Distribution. Based on the above, the total issued share capital of Sino-i will be increased to 19,914,504,877 Sino-i Shares following the conversion of all such Sino-i Notes.

The Sale Shares will be sold by the Vendors in the proportions set out in the following table.

	(1) Vendors	(2) Number of Sino-i Shares held as at the Latest Practicable Date	(3) Approximate percentage of existing issued share capital of Sino-i	(4) Number of Sale Shares	(5) Approximate percentage of enlarged issued share capital of Sino-i
1.	First Best Assets Limited	2,000,000,000	10.14%	2,000,000,000	10.04%
2.	Rosewood Assets Limited	1,698,333,000	8.61%	1,698,333,000	8.53%
3.	Pippen Limited	3,959,992,316	20.09%	3,959,992,316	19.89%
4.	Staverley Assets Limited	1,307,470,000	6.63%	1,307,470,000	6.57%
5.	中信信息科技投資有限公司 CITIC Information Technology Investment Company Limited	550,000,000	2.79%	550,000,000	2.76%
6.	Macro Resources Limited	1,000,000,000	5.07%	1,000,000,000	5.02%
7.	Empire Gate Industrial Limited	2,000,000,000	10.15%	2,000,000,000	10.04%
	Total:	**12,515,795,316**	**63.48%**	**12,515,795,316**	**62.85%**

Note: The above table has been prepared based on information supplied by the Vendors. The shareholding percentages shown in column (3) of the above table are calculated based on the existing issued share capital of 19,714,504,877 Sino-i Shares as at the Latest Practicable Date. The shareholding percentages shown in column (5) of the above table are calculated based on the enlarged issued share capital of 19,914,504,877 Sino-i Shares following full conversion of all Sino-i Notes in issue. All shareholding percentages are prepared based on confirmation from the directors of Sino-i that they will not exercise any powers granted to them under any existing general mandate to repurchase Sino-i Shares prior to Completion. According to Sino-i, as at the Latest Practicable Date, Sino-i had outstanding Sino-i Notes in an aggregate principal amount of HK$20,000,000 which are expected to be fully converted into a total of 200,000,000 Sino-i Shares prior to the Capital Reduction and the Distribution and, apart from these Sino-i Notes, Sino-i has no outstanding options, warrants or other securities convertible into or giving rights to subscribe for Sino-i Shares.

The Sale Shares will be sold free from all claims, charges, liens, options, encumbrances and third party rights of any kind and together with all rights attaching to the Sale Shares, including the right to receive all dividends and distributions declared, made or paid, on or after the date of completion of the Sale and Purchase Agreement.

Consideration

Amount and payment terms

The total consideration for the Sale Shares is HK$976,334,238, representing about HK$0.078 per Sale Share (subject to adjustment described below).

The closing price per Sino-i Share as quoted on the Stock Exchange on 24 December 2003, being the last trading day before the date of the Sale and Purchase Agreement, is HK$0.24. Based on this closing price, the total value for the Sale Shares amounts to HK$3,003,790,875.84. The closing price per Sino-i Share as quoted on the Stock Exchange on 19 March 2004, being the Latest Practicable Date, is HK$0.172. Based on this closing price, the total value for the Sale Shares amounts to HK$2,152,716,794.35. The average closing price per Sino-i Share as quoted on the Stock Exchange for the last 10 trading days up to and including 19 March 2004 is HK$0.1741. Based on this closing price, the total value for the Sale Shares amounts to HK$2,178,999,964.51. The average closing price per Sino-i Share as quoted on the Stock Exchange for the last 30 trading days up to and including 19 March 2004 is HK$0.1829. Based on this closing price, the total value for the Sale Shares amounts to HK$2,289,138,963.29.

According to the pro forma unaudited adjusted consolidated net asset value of the Sino-i Group of about HK$1,553,494,000 which is prepared based on the audited consolidated net asset value of the Existing Sino-i Group of about HK$2,708,303,000 as at 31 March 2003 and adjusted to take account of the effects of (i) the conversion in full of convertible loan note of Sino-i in an aggregate principal amount of HK$200,000,000 by Empire Gate Industrial Limited on 25 June 2003; (ii) the full conversion of Sino-i Notes in principal amounts of HK$180,000,000 and HK$200,000,000 respectively effected by Procare Group Limited (an independent investor) on 13 January 2004 and First Best Assets Limited (a company wholly owned by Mr. Yu) on 5 January 2004; (iii) the full conversion of Sino-i Notes in a principal amount of HK$20,000,000 proposed to be effected by CITIC Capital Active Partner Fund Limited (an associate of CITIC) prior to the Capital Reduction; (iv) the full conversion of the South Sea Notes; and (v) the Distribution, the unaudited adjusted consolidated net asset value per Sino-i Share is approximately HK$0.078 based on 19,914,504,877 New Sino-i Shares then in issue. Based on this unaudited adjusted net asset value, the total value for the Sale Shares amounts to about HK$976,334,238.

According to the pro forma unaudited adjusted consolidated net asset value of the Sino-i Group of about HK$1,605,328,000 which is prepared based on the unaudited consolidated net asset value of the Existing Sino-i Group of about HK$2,948,045,000 as at 30 September 2003 and adjusted to take account of the effects of (i) the full conversion of Sino-i Notes in principal amounts of HK$180,000,000 and HK$200,000,000 respectively effected by Procare Group Limited (an independent investor) on 13 January 2004 and First Best Assets Limited (a company wholly owned by Mr. Yu) on 5 January 2004; (ii) the full conversion of Sino-i Notes in a principal amount of HK$20,000,000 proposed to be effected by CITIC Capital Active Partner Fund Limited (an associate of CITIC) prior to the Capital Reduction; (iii) the full conversion of the South Sea Notes; and (iv) the Distribution, the unaudited adjusted consolidated net asset value per Sino-i Share is approximately HK$0.081 based on 19,914,504,877 New Sino-i Shares then in issue. Based on this unaudited adjusted net asset value, the total value for the Sale Shares amounts to about HK$1,013,779,420.

The basis on which the consideration is determined as well as further comparisons of the market prices per Sino-i Share and the consideration per Sale Share are set out in the section headed "Basis of determination" below.

The consideration will be satisfied in the following manner:

(a) half of the consideration of HK$488,167,119 will be satisfied by a total of 27,120,395,500 Consideration Shares to be issued at a price of HK$0.018 each to the Vendors on Completion; and

(b) the remaining half of the consideration of HK$488,167,119 will, subject as described in the section headed "Adjustment" below, be paid in cash to the Vendors on the date falling 60 months after the date of Completion or any other later date to be mutually agreed by the parties. The Company intends to dispose of certain properties of the South Sea Group prior to the due date for the satisfaction of the cash part of the consideration and utilise the proceeds from such disposal towards funding the cash payments required to be made.

The closing price per South Sea Share as quoted on the Stock Exchange on 24 December 2003, being the last trading day before the date of the Sale and Purchase Agreement, is HK$0.015. Based on this closing price, the total value for the Consideration Shares amounts to HK$406,805,932.50. The closing price per South Sea Share as quoted on the Stock Exchange on 19 March 2004, being the Latest Practicable Date, is HK$0.022. Based on this closing price, the total value for the Consideration Shares amounts to HK$596,648,701. The average closing price per South Sea Share as quoted on the Stock Exchange for the last 10 trading days up to and including 19 March 2004 is HK$0.0224. Based on this closing price, the total value for the Consideration Shares amounts to HK$607,496,859.20. The average closing price per South Sea Share as quoted on the Stock Exchange for the last 30 trading days up to and including 19 March 2004 is HK$0.0244. Based on this closing price, the total value for the Consideration Shares amounts to HK$661,737,650.20.

According to the unaudited adjusted consolidated net asset value of the South Sea Group of about HK$3,052,358,000 which is prepared based on the audited consolidated net asset value of the South Sea Group of about HK$2,364,191,000 as at 31 March 2003 and adjusted to take account of the effects of (i) the full conversion of the South Sea Notes in an aggregate principal amount of HK$200,000,000 and (ii) the Completion, the unaudited adjusted net asset value per South Sea Share is approximately HK$0.045 based on 68,163,310,794 South Sea Shares then in issue. Based on this unaudited adjusted net asset value, the total value for the Consideration Shares amounts to about HK$1,220,417,798.

According to the unaudited adjusted consolidated net asset value of the South Sea Group of about HK$3,043,078,000 which is prepared based on the unaudited consolidated net asset value of the South Sea Group of about HK$2,354,911,000 as at 30 September 2003 and adjusted to take account of the effects of (i) the full conversion of the South Sea Notes in a total principal amount of HK$200,000,000 and (ii) the Completion, the unaudited adjusted consolidated net asset value per South Sea Share is approximately HK$0.045 based on 68,163,310,794 South Sea Shares then in issue. Based on this unaudited adjusted net asset value, the total value for the Consideration Shares amounts to about HK$1,220,417,798.

Further comparisons of the market prices per South Sea Share and the issue price per Consideration Share are set out in the section headed “Basis of determination” below.

The Consideration Shares and the cash part of the consideration will be apportioned among the Vendors pro rata to their respective holdings of the Sale Shares. Assuming no adjustment is made, the entitlements of the respective Vendors to the consideration are illustrated below.

	Vendors	**Number of Sale Shares**	**Total consideration** *(HK$)*	**Cash portion** *(HK$)*	**Number of Consideration Shares**
1.	First Best Assets Limited	2,000,000,000	156,016,331.964	78,008,166	4,333,786,998
2.	Rosewood Assets Limited	1,698,333,000	132,483,842.248	66,241,921	3,680,106,736
3.	Pippen Limited	3,959,992,316	308,911,737.890	154,455,869	8,580,881,605
4.	Staverley Assets Limited	1,307,470,000	101,993,336.356	50,996,668	2,833,148,242
5.	中信信息科技投資有限公司 CITIC Information Technology Investment Company Limited	550,000,000	42,904,491.632	21,452,246	1,191,791,424
6.	Macro Resources Limited	1,000,000,000	78,008,165.964	39,004,083	2,166,893,498
7.	Empire Gate Industrial Limited	2,000,000,000	156,016,331.946	78,008,166	4,333,786,997
	Total:	**12,515,795,316**	**976,334,238.000**	**488,167,119**	**27,120,395,500**

Adjustment

In the event that during the period following Completion but before the due date for the payment of the cash part of the consideration specified above:

(a) any losses and liabilities are suffered by the Company or any member of the Sino-i Group in connection with a breach of warranty or other covenant of any Vendor under the Sale and Purchase Agreement; or

(b) any payment is made on account of liabilities of any member of the Sino-i Group which were incurred outside its ordinary course of business on or before Completion and which were not disclosed by the Vendors to the Company,

then that part of the consideration payable in cash will be reduced by an amount representing the aggregate of all such losses as reasonably determined by the Company.

If, however, the amount of any part of such losses or the corresponding adjustment to the consideration is disputed by any of the Vendors, the entire cash portion of the consideration will not be paid to the Vendors unless and until such dispute is resolved or settled among all parties to the Sale and Purchase Agreement, either by mutual agreement or by a final order or judgment of a court of competent jurisdiction. In such event, any entitlement that the Vendors may have over the cash portion of the consideration will be determined in accordance with such an agreement or order or judgment, as the case may be.

Basis of determination

Sale Shares

The consideration of HK$976,334,238 for the Sale Shares was determined after arm's length negotiations between the parties and is equivalent to about 62.85% of the unaudited adjusted consolidated net asset value of the Sino-i Group of about HK$1,553,494,000 which is prepared based on the audited consolidated net asset value of the Existing Sino-i Group of about HK$2,708,303,000 as at 31 March 2003 and adjusted to take account of the effects of (i) the conversion in full of convertible loan note of Sino-i in an aggregate principal amount of HK$200,000,000 by Empire Gate Industrial Limited on 25 June 2003; (ii) the full conversion of all Sino-i Notes in a total principal amount of HK$400,000,000 effected and proposed to be effected prior to the Capital Reduction; (iii) the full conversion of the South Sea Notes; and (iv) the Distribution.

As mentioned above, the pro forma unaudited adjusted consolidated net asset value of the Sino-i Group of about HK$1,533,494,000 has been used as a basis for the determination of the consideration for the Sale Shares prior to the signing of the Sale and Purchase Agreement. This unaudited adjusted consolidated net asset value is arrived at without taking into account the unaudited consolidated results of the Existing Sino-i Group for the six months ended 30 September 2003. As at 30 September 2003, the Existing Sino-i Group recorded an unaudited consolidated net asset value of about HK$2,948,045,000 as at 30 September 2003. If adjustments are made to this unaudited consolidated net asset value of about HK$2,948,045,000 to take into account the effects of items (ii), (iii) and (iv) described in the above paragraph, the pro forma unaudited adjusted consolidated net asset value of the Sino-i Group following the Distribution would amount to about HK$1,605,328,000, representing about HK$0.081 per Sino-i Share based on 19,914,504,877 New Sino-i Shares then in issue. Based on this pro forma unaudited adjusted consolidated net asset value, the total value for the Sale Shares would amount to about HK$1,013,779,420.

The price of approximately HK$0.078 per Sale Share represents (i) a discount of about 67.5% to the closing price of HK$0.24 per Sino-i Share as quoted on the Stock Exchange on 24 December 2003, being the last trading day before the date of the Sale and Purchase Agreement; (ii) a discount of about 54.65% to the closing price per Sino-i Share of HK$0.172 as quoted on the Stock Exchange as at the Latest Practicable Date; (iii) a discount of about 55.20% to HK$0.1741, being the average closing price per Sino-i Share as quoted on the Stock Exchange for the ten trading days up to and including the Latest Practicable Date; (iv) a discount of about 57.35% to HK$0.1829, being the average closing price per Sino-i Share as quoted on the Stock Exchange for the thirty trading days up to and including the Latest Practicable Date; (v) the same as the pro forma unaudited adjusted consolidated net asset value of HK$0.078 per Sino-i Share based on the pro forma unaudited adjusted consolidated net asset value of the Sino-i Group of HK$1,553,494,000 following Completion which is prepared based on the audited consolidated net asset value of the Existing Sino-i Group as at 31 March 2003; and (vi) a discount of about 3.7% to the pro forma unaudited adjusted consolidated net asset value of HK$0.081 per Sino-i Share based on the proforma unaudited adjusted consolidated net asset value of the Sino-i Group of HK$1,605,328,000 following Completion which is prepared based on the unaudited consolidated net asset value of the Existing Sino-i Group as at 30 September 2003.

Consideration Shares

The issue price of HK$0.018 per Consideration Share was determined after arm's length negotiations between the parties and represents (i) a premium of 20% to the closing price of HK$0.015 per South Sea Share as quoted on the Stock Exchange on 24 December 2003, being the last trading day before the date of the Subscription Agreement; (ii) a discount of about 18.18% to the closing price per South Sea Share of HK$0.022 as quoted on the Stock Exchange as at the Latest Practicable Date; (iii) a discount of about 19.64% to HK$0.0224, being the average closing price per South Sea Share as quoted on the Stock Exchange for the ten trading days up to and including the Latest Practicable Date; (iv) a discount of about 26.23% over HK$0.0244, being the average closing price per South Sea Share as quoted on the Stock Exchange for the thirty trading days up to and including the Latest Practicable Date; (v) a discount of 60% to the unaudited adjusted consolidated net asset value of HK$0.045 per South Sea Share following Completion which is prepared based on the audited consolidated net asset value of the South Sea Group as at 31 March 2003; and (vi) a discount of 60% to the unaudited adjusted consolidated net asset value of HK$0.045 per South Sea Share following Completion which is prepared based on the unaudited consolidated net asset value of the South Sea Group as at 30 September 2003.

As shown above, the issue price of HK$0.018 per Consideration Share represents a substantial discount to the unaudited adjusted consolidated net asset value of HK$0.045 per South Sea Share, but a slight premium of 20% to the closing price of HK$0.015 per South Sea Share as quoted on the Stock Exchange on 24 December 2003. Based on this closing price, the current market value for the Consideration Shares amounts to HK$406,805,932.50. The issue price of HK$0.018 per Consideration Share has been determined after arm's length negotiations between the Vendors and the Company and the executive directors of the Company believe that it is fair and reasonable from the perspective of the Company.

Consideration Shares

The Consideration Shares represent approximately 90.61% of the existing issued share capital of the Company. If the South Sea Notes are issued and converted in full, the Consideration Shares will represent approximately 66.08% of the issued share capital of the Company as enlarged by the Conversion Shares and approximately 39.79% of the issued share capital of the Company as enlarged by the Conversion Shares and the Consideration Shares.

The Consideration Shares will, upon issue, be credited as fully paid, will rank pari passu in all respects with all South Sea Shares in issue and will be free from all claims, charges, equities, encumbrances and third party rights of any kind and together with all rights attaching to them from the date of allotment, including the right to receive all dividends and distributions declared, made or paid on or after the date of allotment.

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions of Sale and Purchase Agreement

Completion is conditional upon:

(1) the completion of the Subscription Agreement and conversion in full of all South Sea Notes into South Sea Shares;

(2) the passing by the Independent Shareholders of the necessary resolutions approving the Company's acquisition of the Sale Shares, the issue of the Consideration Shares to the Vendors, the transactions contemplated in or incidental to the Sale and Purchase Agreement and the implementation thereof in accordance with the provisions of the Listing Rules;

(3) the passing by shareholders of Sino-i in general meeting of the necessary resolutions approving the Capital Reduction and the Distribution in accordance with Sino-i's memorandum and articles of association, the Companies Ordinance and the Listing Rules;

(4) the Capital Reduction and the Distribution having been completed in all respects in compliance with Sino-i's memorandum and articles of association and the Companies Ordinance and the New Sino-i Shares remaining listed on the Stock Exchange following the Capital Reduction and the Distribution, save for temporary suspension in trading in connection with the matters contemplated under the Sale and Purchase Agreement;

(5) all necessary consents, permits, approvals, licences and authorisations having been obtained from, and all necessary filings and registrations having been performed with, all relevant courts, governmental, regulatory and other authorities, agencies and departments in Hong Kong and in any other applicable jurisdiction in connection with the Capital Reduction and the Distribution and all other transactions contemplated under the Sale and Purchase Agreement, the implementation of and all other matters incidental to the Sale and Purchase Agreement;

(6) if required, the Bermuda Monetary Authority having granted its permission for the issue and free transferability of the Consideration Shares;

(7) the Stock Exchange having granted listing of and permission to deal in the Consideration Shares (subject to such conditions, if any, as are acceptable to the Company);

(8) waivers having been granted by the Executive waiving any obligation triggered under Rule 26 of the Code on the part of (a) the Vendors and parties acting in concert with them to make a mandatory general offer to acquire South Sea Shares as a result of the issue of the Consideration Shares; and (b) the Company and parties acting in concert with it to make a mandatory general offer to acquire New Sino-i Shares as a result of the Company's acquisition of the Sale Shares upon Completion; and

(9) the Company not being treated as a new listing applicant under the Listing Rules by reason of the transactions contemplated under the Sale and Purchase Agreement.

None of these conditions, including the one in paragraph (8) above, will be waived by the Vendors or the Company. (Further details relating to the waivers described in paragraph (8) above are set out in the following sections headed "Shareholding Structures of Sino-i" and "Shareholding Structures of the Company" below.) If these conditions are not fulfilled by the date falling 90 days from the date of the Sale and Purchase Agreement (i.e. 28 March 2004) or such other date as the parties may agree, the Sale and Purchase Agreement will, subject to the liability of any party to the other in respect of any antecedent breaches, be null and void and of no effect.

Completion

Completion is expected to take place on the third business day after the conditions for the Sale and Purchase Agreement are fulfilled (or such other date as the parties may agree).

Shareholding Structures of Sino-i

The following table (including the accompanying notes) have been prepared based on information supplied by the Vendors and Sino-i and illustrates the shareholding structures of Sino-i before and after Completion.

	Shareholding as at the Latest Practicable Date		**Shareholding structure after full conversion of all Sino-i Notes**		**Shareholding structure upon Completion**	
Name of shareholders	*No. of shares*	*%*	*No. of shares*	*%*	*No. of shares*	*%*
Redmap Resources Limited # *(Note 1)*	44,000,000	0.223%	44,000,000	0.221%	44,000,000	0.221%
Rosewood Assets Limited # *(Note 2)*	1,698,333,000	8.615%	1,698,333,000	8.528%	0	0.000%
Pippen Limited # *(Note 2)*	3,959,992,316	20.087%	3,959,992,316	19.885%	0	0.000%
First Best Assets Limited # *(Note 2)*	2,000,000,000	10.145%	2,000,000,000	10.043%	0	0.000%
Sub-total held by Mr. Yu & his associates (other than Macro Resources Limited) #	**7,702,325,316**	**39.070%**	**7,702,325,316**	**38.677%**	**44,000,000**	**0.221%**
Macro Resources Limited # *(Note 3)*	**1,000,000,000**	**5.072%**	**1,000,000,000**	**5.022%**	**0**	**0.000%**
Staverley Assets Limited # *(Note 4)*	1,307,470,000	6.632%	1,307,470,000	6.565%	0	0.000%
中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited) # *(Note 4)*	550,000,000	2.790%	550,000,000	2.762%	0	0.000%
CITIC Capital Markets Limited # *(Note 5)*	383,900,000	1.948%	383,900,000	1.928%	383,900,000	1.928%
Sun Success International Limited # *(Note 5)*	178,290,000	0.901%	178,290,000	0.895%	178,290,000	0.895%
CITIC Capital Active Partner Fund Limited (formerly known as The Ka Wah Five Arrows China Hong Kong Fund Limited) # *(Note 6)*	0	0.000%	200,000,000	1.004%	200,000,000	1.004%
Sub-total held by CITIC & its associates (other than Macro Resources Limited) #	**2,419,660,000**	**12.274%**	**2,619,660,000**	**13.154%**	**762,190,000**	**3.827%**

Name of shareholders	Shareholding as at the Latest Practicable Date *No. of shares*	*%*	Shareholding structure after full conversion of all Sino-i Notes *No. of shares*	*%*	Shareholding structure upon Completion *No. of shares*	*%*
Yiu Kin Wai # *(Note 7)*	7,520,000	0.038%	7,520,000	0.038%	7,520,000	0.038%
New Dorset Developments Limited # *(Note 7)*	284,810,000	1.444%	284,810,000	1.430%	284,810,000	1.430%
Empire Gate Industrial Limited # *(Note 7)*	2,000,000,000	10.145%	2,000,000,000	10.043%	0	0.000%
Sub-total held by Yiu Kin Wai & his associates #	**2,292,330,000**	**11.627%**	**2,292,330,000**	**11.511%**	**292,330,000**	**1.468%**
Sub-total held by Mr. Yu, CITIC, Yiu Kin Wai and their concert parties #	**13,414,315,316**	**68.043%**	**13,614,315,316**	**68.364%**	**1,098,520,000**	**5.516%**
The Company	**0**	**0.000%**	**0**	**0.000%**	**12,515,795,316**	**62.848%**
Zhang Hong Ren, an executive director of Sino-i and the Company	**504,000**	**0.003%**	**504,000**	**0.002%**	**504,000**	**0.002%**
Chen Peng Jing *(Note 8)*	5,000,000	0.025%	5,000,000	0.025%	5,000,000	0.025%
Procare Group Limited *(Note 8)*	1,800,000,000	9.130%	1,800,000,000	9.039%	1,800,000,000	9.039%
Other public shareholders	4,494,685,561	22.799%	4,494,685,561	22.570%	4,494,685,561	22.570%
Sub-total held by public	**6,299,685,561**	**31.954%**	**6,299,685,561**	**31.634%**	**6,299,685,561**	**31.634%**
Total issued share capital:	**19,714,504,877**	**100.000%**	**19,914,504,877**	**100.000%**	**19,914,504,877**	**100.000%**

These persons are parties acting in concert with each other for the purposes of the Code.

Notes:

1. Redmap Resources Limited is a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

2. These companies are all ultimately wholly owned by Mr. Yu.

3. Macro Resources Limited is a company indirectly held as to 60% and 40% by Mr. Yu and CITIC respectively.

4. These companies are wholly owned subsidiaries of CITIC.

5. These companies are wholly owned subsidiaries of CITIC Capital Market Holdings Limited, a company as to 50% of which is collectively held by CITIC and its non wholly owned subsidiary and as to the remaining 50% of which is held by an associated company of CITIC.

6. This is an associate of CITIC in which CITIC and its non wholly owned subsidiary hold over 30%. CITIC Capital Active Partner Fund Limited (formerly known as The Ka Wah Five Arrows China Hong Kong Fund Limited) is the holder of existing outstanding Sino-i Notes in a total principal amount of HK$20,000,000 and has informed Sino-i that it will convert all such Sino-i Notes into a total of 200,000,000 Sino-i Shares at a conversion price of HK$0.10 each prior to the implementation of the Capital Reduction.

7. New Dorset Developments Limited and Empire Gate Industrial Limited are companies wholly owned by Mr. Yiu Kin Wai. Mr. Yiu Kin Wai, together with these companies, are a substantial shareholder of Sino-i interested in about 11.63% of Sino-i's total issued share capital as at the Latest Practicable Date and are parties acting in concert with Mr. Yu, CITIC and their respective associates. Save as described, Mr. Yiu Kin Wai is not connected with the Company.

8. Procare Group Limited is a company wholly owned by Mr. Chen Peng Jing. Procare Group Limited was the holder of Sino-i Notes in a total principal amount of HK$180,000,000 and had fully converted all such notes into a total of 1,800,000,000 Sino-i Shares. Mr. Chen Peng Jing and Procare Group Limited are not acting in concert with any of Mr. Yu, CITIC and parties acting in concert with them, and are not connected with any of the directors, chief executive and substantial shareholders of Sino-i or its subsidiaries or their respective associates.

As illustrated in the shareholding table above, following Completion, the Company will have acquired about 62.85% of the voting rights of Sino-i. Under Rule 26.1 of the Code, the Company would be obliged to make a mandatory general offer upon Completion for all New Sino-i Shares, other than those acquired by the Company. An application has been made to the Executive under Note 6 to Rule 26.1 of the Code for a waiver of the mandatory general offer obligation of the Company triggered by Completion. The granting of such a waiver forms one of the conditions precedent for Completion. The Executive has granted this waiver on 10 February 2004. Accordingly, the related condition precedent under the Sale and Purchase Agreement has been fulfilled.

Shareholding Structures of the Company

The following table illustrates the shareholding structures of the Company before and after completion of the Distribution and the Sale and Purchase Agreement. Details relating to the Distribution in the following table (including the accompanying notes) have been prepared based on information supplied by the Vendors and Sino-i.

	Shareholding as at the Latest Practicable Date		**Shareholding structure after full conversion of South Sea Notes by Sino-i**		**Shareholding structure after Distribution by Sino-i**		**Shareholding structure after issue of Consideration Shares**	
Name of shareholders	*No. of shares*	*%*	*No. of shares*	*%*	*No. of shares*	*%*	*No. of shares*	*%*
Victorious Limited	11,976,270,000	40.01%	11,976,270,000	29.18%	0	0%	0	0%
Robina Profits Limited	400,000,000	1.34%	11,511,111,111	28.05%	0	0%	0	0%
Ko Tact Limited	7,890,450,000	26.36%	7,890,450,000	19.22%	0	0%	0	0%
Sub-total held by Sino-i's wholly owned subsidiaries	**20,266,720,000**	**67.71%**	**31,377,831,111**	**76.45%**	**0**	**0%**	**0**	**0%**
Mr. Yu & his associates (other than Macro Resources Limited) #	0	0%	0	0%	12,135,783,767	29.569%	28,730,559,106	42.149%

Name of shareholders	Shareholding as at the Latest Practicable Date *No. of shares*	*%*	Shareholding structure after full conversion of South Sea Notes by Sino-i *No. of shares*	*%*	Shareholding structure after Distribution by Sino-i *No. of shares*	*%*	Shareholding structure after issue of Consideration Shares *No. of shares*	*%*
CITIC & its associates (other than Macro Resources Limited) #	0	0%	0	0%	4,127,536,296	10.057%	8,152,475,962	11.960%
Macro Resources Limited * #	0	0%	0	0%	1,575,600,000	3.839%	3,742,493,498	5.491%
Yiu Kin Wai & his associates #	0	0%	0	0%	3,611,795,148	8.800%	7,945,582,145	11.657%
Sub-total held by concert parties	**0**	**0%**	**0**	**0%**	**21,450,715,211**	**52.265%**	**48,571,110,711**	**71.257%**
Zhang Hong Ren, an executive director of Sino-i and the Company	**0**	**0%**	**0**	**0%**	**794,102**	**0.001%**	**794,102**	**0.001%**
Existing public shareholders of Sino-i	0	0%	0	0%	9,925,784,570	24.184%	9,925,784,570	14.562%
Existing public shareholders of the Company	9,665,084,183	32.29%	9,665,084,183	23.55%	9,665,084,183	23.549%	9,665,084,183	14.179%
Sub-total held by public shareholders of the Company	**9,665,084,183**	**32.29%**	**9,665,084,183**	**23.55%**	**19,590,868,753**	**47.733%**	**19,590,868,753**	**28.741%**
Remaining part not distributed to be sold in the market for Sino-i's benefit	0	0%	0	0%	537,228	0.001%	537,228	0.001%
Total issued share capital:	**29,931,804,183**	**100%**	**41,042,915,294**	**100%**	**41,042,915,294**	**100%**	**68,163,310,794**	**100%**

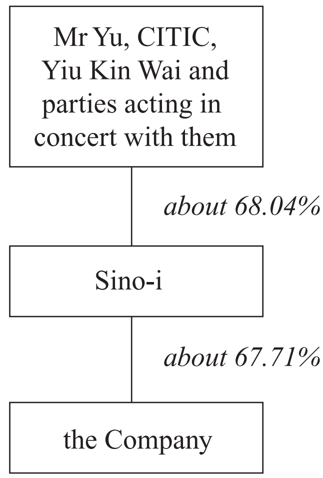
* *a company indirectly held as to 60% and 40% by Mr. Yu and CITIC respectively.*

\# *Mr. Yu, CITIC, Yiu Kin Wai and parties acting in concert with them*

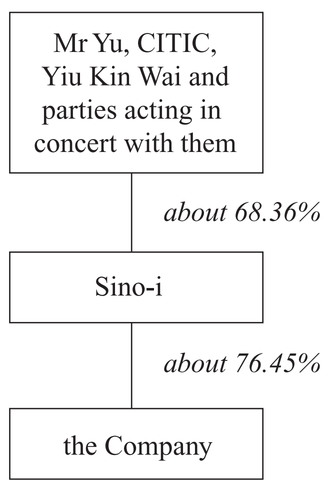
As illustrated in the shareholding table above, following the issue of the Consideration Shares, the collective shareholding interests in the Company then held by Mr. Yu, CITIC and parties acting in concert with them will be increased from about 52.27% to about 71.26%. However, the voting rights then held in the Company by Mr. Yu and companies controlled by him (which include Macro Resources Limited) alone will be increased from about 33.41% to about 47.64%. As described in Note 6 to Rule 26.1 of the Code, such an increase of more than 2% would normally trigger an obligation on the part of Mr. Yu to make a mandatory general offer for all South Sea Shares upon Completion, other than those acquired by Mr. Yu, CITIC and parties acting in concert with them. An application has been made to the Executive under Note 6 of Rule 26.1 of the Code for a waiver of such a mandatory general offer obligation. The granting of such a waiver forms one of the conditions precedent for Completion. The Executive has granted this waiver on 10 February 2004. Accordingly, the related condition precedent under the Sale and Purchase Agreement has been fulfilled.

GROUP STRUCTURES

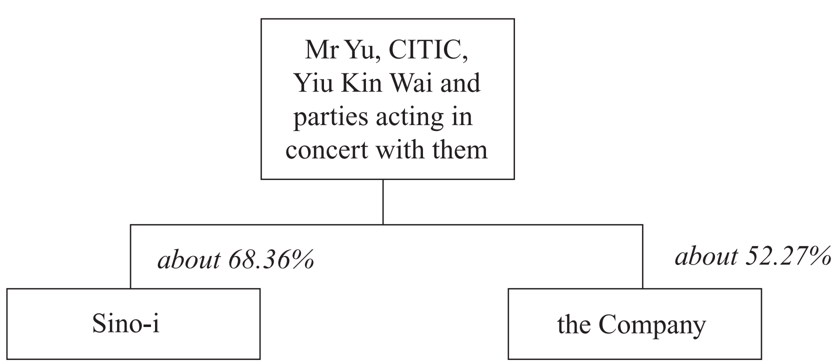
Current group structure as at the Latest Practicable Date:



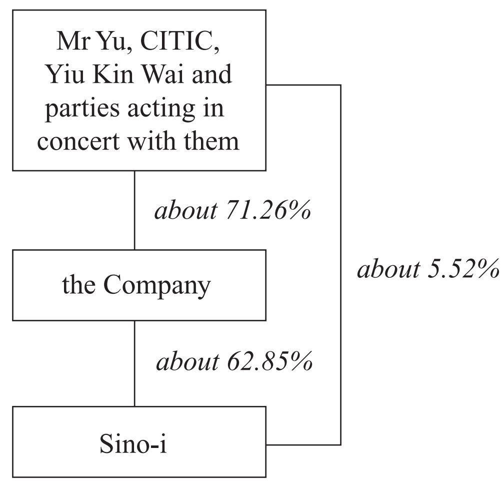
Immediately after conversion of all South Sea Notes and all Sino-i Notes in issue:



Immediately after Distribution:



Immediately after Completion of the Sale and Purchase Agreement:



INFORMATION ON THE COMPANY

The South Sea Group is principally engaged in provision of electronic manufacturing services; design, manufacturing and marketing of consumer packaged electronics; and property development. Following the Company's acquisition of New Sino-i Shares under the Sale and Purchase Agreement, the Company will become the holding company of Sino-i. As such, the principal businesses of South Sea will also comprise those principal businesses currently engaged in by the Sino-i Group, i.e. information technology business, provision of financial information and related services, hotel operations, distance learning and application services, property investment, sales of securities and property development.

The audited consolidated net profit of the Company before and after taxation and extraordinary items and minority interests for the year ended 31 March 2003 were approximately HK$230,000 and HK$190,000 respectively. The profit recorded by the Company for the year ended 31 March 2003 was mainly attributable to gains of approximately HK$20,000,000 and HK$9,736,000 arising from the disposal by the South Sea Group of a property development project, which was held as part of the ordinary business of the South Sea Group, and the disposal by the South Sea Group of certain subsidiary companies respectively. The corresponding figures for the year ended 31 March 2002 were approximately HK$52,300,000 and HK$52,152,000 respectively. The profit recorded by the Company for the year ended 31 March 2002 was mainly attributable to a gain of approximately HK$89,779,000 which resulted from the completion of a scheme of arrangement entered into between Team Concepts Manufacturing Limited, a subsidiary of the Company, and its unsecured creditors under which liabilities due to such creditors were discharged.

Based on the Company's unaudited interim report for the six months ended 30 September 2003, turnover for the six months ended 30 September 2003 was approximately HK$7,723,000 and a net loss of approximately HK$8,825,000 was recorded, as compared with a net loss of approximately HK$24,860,000 recorded for the corresponding period ended 30 September 2002.

The audited consolidated net assets of the Company as at 31 March 2002 and 31 March 2003 were approximately HK$2,355,503,000 and HK$2,364,191,000 respectively. The unaudited net asset value of the South Sea Group amounted to approximately HK$2,354,911,000 as at 30 September 2003, representing a value of approximately HK$0.079 per South Sea Share.

Based on the audited financial statements of the South Sea Group for the years ended 31 March 2002 and 31 March 2003 and its unaudited financial statements for the six months ended 30 September 2003, the South Sea Group recorded consolidated net tangible asset value of HK$2,614,289,000 as at 31 March 2002, HK$2,621,128,000 as at 31 March 2003 and HK$2,604,769,000 as at 30 September 2003.

Based on the audited financial statements of the South Sea Group for the years ended 31 March 2002 and 31 March 2003 and its unaudited financial statements for the six months ended 30 September 2003, the South Sea Group recorded net current liabilities of HK$507,593,000 as at 31 March 2002, HK$587,357,000 as at 31 March 2003 and HK$673,288,000 as at 30 September 2003.

Based on the Company's audited consolidated financial statements for the year ended 31 March 2003, the South Sea Group had outstanding indebtedness totalling about HK$732,312,000 as at 31 March 2003, all of which are interest bearing. Based on the Company's unaudited interim report for the six months ended 30 September 2003, the South Sea Group had outstanding indebtedness totalling about HK$732,117,000 as at 30 September 2003, all of which are interest bearing. (Other financial information of the South Sea Group is set out in Appendix I to this circular.)

As mentioned in the auditors report on the financial statements of the Company for the year ended 31 March 2003, such financial statements had been prepared on a going concern basis, the validity of which was dependent on the continuing financial support from the bankers and a creditor of the South Sea Group. (The creditor referred to is Power Ocean Investments Limited to which the Company owed a principal amount of about HK$210,000,000 as at 31 March 2003. This amount was subsequently fully repaid by the Company on 31 December 2003 through use of the proceeds of the shareholder's loan granted by Sino-i to the Company, further details of which are set out in the paragraph headed "Subscription Agreement and use of proceeds" under the section headed "Reasons for the transactions" below.) It was also stated in the auditors report that, had the going concern basis not been used, certain adjustments would have to be made to such financial statements to reduce the value of the assets of the South Sea Group to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The auditors of the Company considered that appropriate disclosures relating to this fundamental uncertainty had been made in the financial statements and their opinion was not qualified in this respect.

INFORMATION ON SINO-I

Sino-i is currently the holding company of the Company and members of the South Sea Group are principally engaged in provision of electronic manufacturing services; design, manufacturing and marketing of consumer packaged electronics; and property development. The Sino-i Group itself (excluding the South Sea Group) is principally engaged in information technology business, provision of financial information and related services, hotel operations, distance learning and application services, property investment, sales of securities and property development. The properties held by the Sino-i Group are occupied by the Sino-i Group, leased out to other parties or for development and Sino-i aims to dispose of these properties if suitable opportunities arise so as to streamline its business and focus on its internet related operation.

The audited consolidated net profit of Sino-i (which includes results attributable to the South Sea Group) before and after taxation and extraordinary items and minority interests for the year ended 31 March 2003 were approximately HK$45,902,000 and HK$13,845,000 respectively. The profit recorded by Sino-i was mainly attributable to a gain of about HK$117,778,000 in total arising from the disposal by the Sino-i Group and the South Sea Group of property development projects in China. HK$20,000,000 out of this sum of HK$117,778,000 was attributable to a gain on disposal of such projects carried out by the South Sea Group.

For the year ended 31 March 2002, Sino-i (including the Company and their respective subsidiaries) recorded an audited consolidated loss attributable to shareholders of approximately HK$32,488,000.

For the six months ended 30 September 2003, the Existing Sino-i Group has achieved a remarkable return from its successful investments and developments in the businesses of information technology and financial information provision. The increase in the Existing Sino-i Group's turnover was attributable to a strong increase in sales income from its information technology business. Based on the unaudited interim report of Sino-i for the six months ended 30 September 2003, the Existing Sino-i Group recorded an unaudited turnover of approximately HK$312,019,000 and unaudited net profit of approximately HK$40,823,000 for the period.

The audited consolidated net assets of Sino-i (which include net assets attributable to the South Sea Group) as at 31 March 2002 and 31 March 2003 were approximately HK$2,682,814,000 and HK$2,708,303,000 respectively. The unaudited net asset value of the Existing Sino-i Group amounted to approximately HK$2,948,045,000 as at 30 September 2003, representing a value of approximately HK$0.19 per Sino-i Share.

As mentioned in the auditors report on the financial statements of Sino-i for the year ended 31 March 2003, such financial statements had been prepared on a going concern basis, the validity of which depended on the successful implementation of certain proposed financing plans and the continuing support of the bankers and a creditor of the Existing Sino-i Group. (The creditor referred to is Power Ocean Investments Limited to which the Company owed a principal amount of about HK$210,000,000 as at 31 March 2003. This amount was subsequently fully repaid by the Company on 31 December 2003 through use of the proceeds of the shareholder’s loan granted by Sino-i to the Company, further details of which are set out in the paragraph headed “Subscription Agreement and use of proceeds” under the section headed “Reasons for the transactions” below.) It was also stated in the auditors report that, had the going concern basis not been used, adjustments would have to be made to such financial statements to reduce the value of the assets of the Existing Sino-i Group to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The auditors of Sino-i considered that appropriate disclosures relating to this fundamental uncertainty had been made in the financial statements and their opinion was not qualified in this respect.

PRO FORMA FINANCIAL INFORMATION OF SINO-I GROUP

Appendix III to this circular provides the pro forma financial information of the Sino-i Group (excluding the South Sea Group) which describes the impact on the Sino-i Group following completion of the Subscription Agreement, conversion of the South Sea Notes and completion of the Capital Reduction and Distribution, by illustrating how these transactions might have affected the Sino-i Group as if these transactions had been undertaken at the commencement of the respective periods being reported on or, in the case of the pro forma balance sheets, at the respective balance sheet dates reported.

The pro forma financial information is prepared for illustration purposes only and because of its nature, may not give a true picture of the financial position or results of the Sino-i Group. The detailed basis for the preparation of the pro forma income statements of the Sino-i Group for the years ended 31 March 2001, 2002, 2003 and the six months period ended 30 September 2003 is included in Part B of Appendix III to this circular. The detailed basis for the preparation of the pro forma balance sheets of the Sino-i Group as at 31 March 2002, 2003 and 30 September 2003 is included in Part C of Appendix III to this circular.

A comparison of the financial information of the Existing Sino-i Group and the pro forma financial information of the Sino-i Group (in the absence of the South Sea Group) is illustrated below:

		Audited annual results or unaudited interim results of the Existing Sino-i Group	**Pro forma financial information of the Sino-i Group (in the absence of the South Sea Group)**
		HK$	*HK$*
a)	Year ended 31 March 2002:		
	Net profit/(loss) before taxation and minority interests	5,228,000	(30,902,000)
	Net profit/(loss) after taxation and minority interests	(32,488,000)	(52,996,000)
	Net asset value as at 31 March 2002	2,682,814,000	1,190,201,000
b)	Year ended 31 March 2003:		
	Net profit/(loss) before taxation and minority interests	45,902,000	(22,729,000)
	Net profit/(loss) after taxation and minority interests	13,845,000	(42,311,000)
	Net asset value as at 31 March 2003	2,708,303,000	1,553,494,000
c)	Six months ended 30 September 2003:		
	Net profit before taxation and minority interests	58,134,000	72,569,000
	Net Profit after taxation and minority interests	40,823,000	52,784,000
	Net asset value as at 30 September 2003	2,948,045,000	1,605,328,000

Based on the pro forma income statements of the Sino-i Group (in the absence of the South Sea Group) in Part B of Appendix III to this circular, the pro forma net loss before and after taxation and minority interest of the Sino-i Group for the year ended 31 March 2003 were approximately HK$22,729,000 and HK$42,311,000 respectively, while the pro forma net loss before and after taxation and minority interest of the Sino-i Group for the year ended 31 March 2002 were approximately HK$30,902,000 and HK$52,996,000 respectively. The improved results in the year ended 31 March 2003 were mainly attributable to a better performance in the information technology business of the Sino-i Group during the year ended 31 March 2003.

For the six months ended 30 September 2003, the pro forma net profit before and after taxation and minority interest of the Sino-i Group were approximately HK$72,569,000 and HK$52,784,000 respectively. The improved results were mainly attributable to a strong increase in sales and profit from the information technology business of the Sino-i Group.

If these unaudited results are not taken into account, following the Distribution, the unaudited consolidated net asset value of the Sino-i Group, in the absence of the South Sea Group, is expected to be reduced to approximately HK$1,553,494,000 which is prepared on the basis of the audited consolidated net asset value of Sino-i as at 31 March 2003 and adjusted to take account of the effects of (i) the conversion in full of convertible loan notes of Sino-i in an aggregate principal amount of HK$200,000,000 by Empire Gate Industrial Limited on 25 June 2003; (ii) the full conversion of all Sino-i Notes in an aggregate principal amount of HK$400,000,000 effected or proposed to be effected prior to the Capital Reduction; (iii) the full conversion of the South Sea Notes; and (iv) the Distribution.

If the unaudited interim results of the Existing Sino-i Group during the period from 1 April 2003 to 30 September 2003 are taken into account, following the Distribution, the unaudited consolidated net asset value of the Sino-i Group is expected to be reduced to approximately HK$1,605,328,000. (Pro forma statements of the unaudited adjusted consolidated net asset value of the Sino-i Group illustrating its position following the Distribution are set out in Appendix III to this circular.)

Based on Sino-i's audited consolidated financial statements for the year ended 31 March 2003, the Sino-i Group, excluding the South Sea Group, had outstanding indebtedness totalling about HK$755,046,000 as at 31 March 2003 and the Existing Sino-i Group (including members of the South Sea Group) had outstanding indebtedness totalling about HK$1,487,358,000 as at 31 March 2003, all of which are interest bearing. Based on Sino-i's unaudited interim report for the six months ended 30 September 2003, the Sino-i Group, excluding the South Sea Group, had outstanding indebtedness totalling about HK$561,692,000 as at 30 September 2003, and the Existing Sino-i Group had outstanding indebtedness totalling about HK$1,293,809,000 as at 30 September 2003, all of which are interest bearing. (Details relating to the indebtedness of the South Sea Group alone are set out in the foregoing section headed "Information on the Company".) Further financial information on the Existing Sino-i Group is set out in Appendix II to this circular.

Based on the pro forma balance sheets of the Sino-i Group as at 31 March 2002, 31 March 2003 and 30 September 2003 as set out in Appendix III to this circular, the Sino-i Group (in the absence of the South Sea Group) recorded net current liabilities of HK$59,037,000 as at 31 March 2002, net current assets of HK$94,041,000 as at 31 March 2003 and net current assets of HK$163,763,000 as at 30 September 2003.

FINANCIAL EFFECTS OF ACQUISITION

Following the Completion, the Company will become the holding company of Sino-i and the assets and liabilities and results of the Sino-i Group will be consolidated into the financial statements of the Company. Based on its interim report for the six months ended 30 September 2003, the unaudited net asset value and the unaudited net tangible asset value of the South Sea Group as at 30 September 2003 were approximately HK$2,354,911,000 and HK$2,604,769,000 respectively, or HK$0.079 and HK$0.087 per South Sea Share respectively. As stated in the pro forma statement of adjusted assets and liabilities of the Enlarged Group and the pro forma statement of unaudited adjusted consolidated net tangible assets of the Enlarged Group set out in Appendix IV to this circular, the unaudited net asset value and the unaudited net tangible asset value of the Enlarged Group are expected to be increased to approximately HK$3,043,078,000 and HK$2,683,216,000 respectively or HK$0.045 and HK$0.039 per South Sea Share respectively following Completion.

As stated in the pro forma statement of unaudited adjusted consolidated net tangible assets of the Enlarged Group set out in Appendix IV to this circular, negative goodwill of approximately HK$32,615,000 will arise from the Completion, which will be amortized over 20 years, using the straight line method, in the consolidated profit and loss accounts of the Company thereafter. (Further financial information on the Enlarged Group is set out in Appendix IV to this circular.)

Following the Completion, the directors of the Company are of the opinion that the Enlarged Group will have sufficient working capital for its operations on the assumptions that (i) additional construction loan of approximately HK$566,000,000 under negotiation to be obtained to finance the property development cost of property projects; (ii) there will be no material changes in economic conditions which will adversely affect the business of the Enlarged Group; and (iii) the prevailing exchange rates or interest rates will not change materially. The directors of the Company considered the above assumptions are reasonable and appropriate in determining the sufficiency of working capital for the operation of the Enlarged Group.

REASONS FOR THE TRANSACTIONS

Subscription Agreement and use of proceeds

The directors of the Company consider that the issuance of the South Sea Notes would bring cash inflow to the Company and the conversion of the South Sea Notes will increase the Company's capital base.

It was disclosed in the joint announcement of Sino-i and the Company dated 29 December 2003 that the consideration for the South Sea Notes would be satisfied in cash on completion of the Subscription Agreement. It was also disclosed that the net proceeds raised from the issue of the South Sea Notes would be wholly used to discharge the outstanding indebtedness in an amount of about HK$210,000,000 owing by the Company to Power Ocean Investments Limited, which would become due and payable by the Company on 31 December 2003. Power Ocean Investments Limited, together with its ultimate beneficial owner, are independent third parties not connected with any of the directors, chief executive and substantial shareholders of the

Company or its subsidiaries or their respective associates. As disclosed in the joint announcement, the Company was in negotiation with Power Ocean Investments Limited for an extension of the repayment date for such debt. No such extension was agreed subsequent to the publication of the joint announcement. Accordingly, the Company negotiated with Sino-i with a view to obtaining a loan to finance the full repayment of its debt due to Power Ocean Investments Limited.

On 31 December 2003, Sino-i granted an unsecured shareholder’s loan in a total principal amount of HK$210,000,000 to the Company which will bear interest at the rate of 1% per annum, payable quarterly commencing from the date of drawdown. If the Subscription Agreement becomes unconditional and proceeds to completion, HK$200,000,000 out of the HK$210,000,000 owing by the Company under the shareholder’s loan will become repayable to Sino-i on completion of the Subscription Agreement by way of set off against the consideration payable by Robina for the South Sea Notes. In any event, the entire outstanding amount of the shareholder’s loan will become fully repayable in one lump sum on the expiry of a one year period following drawdown or such longer period as may be agreed between Sino-i and the Company. The entire proceeds of this shareholder's loan were used by the Company to finance the Company’s full repayment of its outstanding indebtedness of the same amount which became due and payable by the Company to Power Ocean Investments Limited on 31 December 2003.

Interest rate of 9% per annum was chargeable on the debt due from the Company to Power Ocean Investments Limited. When compared with the terms of the shareholder's loan granted by Sino-i, the Directors consider that the terms of the shareholder's loan are more favourable to the Company. Such terms have been negotiated after arm's length negotiations between the Company and Sino-i. The Directors believe that such terms represent normal commercial terms for a loan transaction of this nature and consider them to be fair and reasonable from the Company's perspective. As such, the granting of the shareholder's loan constitutes a connected transaction of the Company that falls within the category prescribed under Rule 14.24(8) of the Listing Rules and is not subject to any disclosure or shareholders' approval requirements as connected transactions under the Listing Rules.

As a result of the granting of the shareholder’s loan described above, the Company is currently indebted to Sino-i in a principal amount of HK$210,000,000. If the Subscription Agreement becomes unconditional and proceeds to completion, HK$200,000,000 out of the HK$210,000,000 owing by the Company to Sino-i will, in accordance with the agreement for the grant of the shareholder’s loan, be repaid by way of set off against the consideration payable by Robina for the South Sea Notes on completion of the Subscription Agreement. The repayment of the remaining HK$10,000,000 of the shareholder’s loan owing by the Company to Sino-i is expected to be made within one year after the date of drawdown and funded from the internal resources of the Company. If the Subscription Agreement is not completed, the Company intends to seek from Sino-i an extension of the due date for the repayment of the shareholder's loan to such later date to be agreed between the Company and Sino-i.

The executive directors of the Company believe that the shareholder’s loan arrangement mentioned above and the Subscription Agreement have been reached based on normal commercial terms and the transactions contemplated under the Subscription Agreement are in the interest of the Company and South Sea Shareholders as a whole.

Sale and Purchase Agreement

Sino-i is currently indirectly interested in about 67.71% of the Company's issued share capital and the Company is therefore a subsidiary of Sino-i. As described in the section headed "Conditions of Sale and Purchase Agreement" above, the Company's acquisition of New Sino-i Shares under the Sale and Purchase Agreement will not occur unless the Distribution is completed. Following the Distribution, the Company will no longer be a subsidiary of Sino-i and this will enable the Company to implement the transactions under the Sale and Purchase Agreement.

The directors of the Company consider that the acquisition by the Company of an approximately 62.85% in Sino-i under the Sale and Purchase Agreement will enable the Company to become the holding company of Sino-i and the results of the Sino-i Group to be consolidated into the accounts of the Company. This will allow the public shareholders and investors of the Company to continue holding an investment in the property portfolio of the South Sea Group, whilst giving them an opportunity to benefit from the potential growth in the existing business sector in which the Sino-i Group presently operates. For the six months ended 30 September 2003, the Sino-i Group has achieved a return from its successful investments and developments in the businesses of information technology and the provision of financial information, which contributed to an unaudited profit attributable to shareholders of approximately HK$52,784,000 for the six months period to 30 September 2003 based on the pro forma income statement of the Sino-i Group (excluding the South Sea Group) for that period as set out in Appendix III to this circular.

As mentioned in the auditors reports on the financial statements of Sino-i for the three years ended 31 March 2003, such financial statements had been prepared on a going concern basis, the validity of which depended on certain factors such as the successful implementation of certain proposed financing plans and the continuing support of the bankers and a creditor of the Existing Sino-i Group. The creditor referred to is Power Ocean Investments Limited to which the Company owed a principal amount of about HK$210,000,000 as at 31 March 2003. This amount was subsequently fully repaid by the Company on 31 December 2003 through use of the proceeds of the shareholder's loan granted by Sino-i to the Company (further details of which are set out in the paragraph headed "Subscription Agreement and use of proceeds" under the section headed "Reasons for the transactions" above).

Up to the Latest Practicable Date, none of the bankers of the Sino-i Group had indicated that it would withdraw its financial support for the Sino-i Group since their loans are fully secured by real properties of the Sino-i Group and the Sino-i Group is in negotiation with certain banks for a restructuring of their loan facilities. **As at the Latest Practicable Date, no agreement has been reached concerning such restructuring and accordingly the restructuring may or may not be concluded successfully.** Given this, and in view of the successful return achieved through the information technology and related businesses of the Sino-i Group (as evidenced by the profit attributable to shareholders of about HK$52,784,000 for the six months ended 30 September 2003 generated by such businesses), the executive directors of the Company believe that the acquisition by the Company of a controlling interest in Sino-i under the Sale and Purchase Agreement would allow the Company an opportunity to capture the potential growth in, and return generated from, the information technology and related businesses of the Sino-i Group, and accordingly consider that the acquisition is in the interest of the Company and its shareholders as a whole.

Based on the pro forma balance sheets of the Sino-i Group as at 31 March 2003 and 30 September 2003 as set out in Appendix III to this circular, the Sino-i Group (in the absence of the South Sea Group) recorded net current assets of HK$94,041,000 as at 31 March 2003 and HK$163,763,000 as at 30 September 2003. Given this, the executive directors of the Company do not expect that the acquisition contemplated under the Sale and Purchase Agreement would directly cause any material adverse impact on the liquidity of the Enlarged Group.

As explained above, following the Company's acquisition of New Sino-i Shares under the Sale and Purchase Agreement, the Company will become the holding company of Sino-i. As such, the principal businesses of the Company will also comprise those principal businesses currently engaged in by the Sino-i Group, i.e. property investment, property development, information technology business, provision of financial information and related services. The Company also intends to maintain the existing principal businesses of the South Sea Group.

The total consideration for the Sale Shares amounts to HK$976,334,238, representing approximately HK$0.078 per Sale Share. Half of the consideration of HK$488,167,119 will, subject to adjustments as described in the paragraph headed "Adjustment" under the section headed "Sale and Purchase Agreement" above, be paid in cash to the Vendors on the date falling 60 months after the date of Completion or such later date as may be agreed among the Vendors and the Company. The Company intends to dispose of certain properties of the South Sea Group presently held for development purposes prior to the due date for the satisfaction of the cash part of the consideration and utilise the proceeds from such disposal towards funding the cash payments required to be made. As at the Latest Practicable Date, no agreement has been reached in respect of such disposal. If and when such an agreement is made and the transactions contemplated under the agreement requires disclosure and/or shareholders' approval under the Listing Rules, the Company will make the necessary announcements and comply with the applicable requirements of the Listing Rules accordingly. In the event that the proceeds derived from such disposal are insufficient to fund the cash payments required to be made to the Vendors by the due date, the Company intends to seek from the Vendors an extension of the due date to a later date to be agreed.

The consideration of approximately HK$0.078 per Sale Share payable by the Company under the Sale and Purchase Agreement represents a discount of about 67.50% to HK$0.24, being the closing price per Sino-i Share as quoted on the Stock Exchange on 24 December 2003 (i.e. the trading day before the date of the Sale and Purchase Agreement), whilst the issue price of HK$0.018 per Consideration Share represents a premium of 20% to the closing price of HK$0.015 per South Sea Share as quoted on the Stock Exchange on the same day. When this issue price of HK$0.018 per Consideration Share is compared with the audited consolidated net asset value of HK$0.079 per South Sea Share (as recorded in the Company's audited financial statements for the year ended 31 March 2003), the issue price represents a discount of about 77.22% to the audited consolidated net asset value per South Sea Share.

Although the issue price per Consideration Share represents a discount to the audited consolidated net asset value per South Sea Share, it represents a premium of about 20% over the current closing price per South Sea Share. The executive directors of the Company therefore consider that the consideration per Sale Share and the issue price per Consideration Share are both fair and reasonable from the perspective of the Company and its shareholders as a whole. The executive directors of the Company also believe that the Sale and Purchase Agreement has been reached based on normal commercial terms and the transactions contemplated under the Sale and Purchase Agreement are in the interest of the Company and the South Sea Shareholders as a whole.

FUTURE PLANS AND PROSPECTS

Following Completion, the Company will continue to focus on its property investment and development business, and through its listed subsidiary, Sino-i, will also engage in information technology business, provision of financial information and related services, hotel operations, distance learning and application services, property investment, sale of securities and property development.

Given the enlarged business portfolio of the Company, the management of the Company believes that the financial and trading prospects of the Enlarged Group would be enhanced since it could capture the benefits expected to be derived from the rapid growth in the information technology sector in China, an area in which the Sino-i Group principally engages.

GENERAL

Robina is a wholly owned subsidiary of Sino-i currently interested in about 1.34% of the Company's issued share capital. Sino-i, through Robina and two of Sino-i's wholly owned subsidiaries, is the holding company of the Company currently interested in about 67.71% of the Company's issued share capital.

The Vendors and their respective associates are collectively the majority shareholders of Sino-i. Through their interests in Sino-i, the Vendors and their respective associates can control the exercise of over 10% of the voting powers at general meetings of the Company. They are therefore collectively a substantial shareholder of the Company and connected persons of the Company for the purposes of the Listing Rules.

Since Robina is an associate of Sino-i which is a substantial shareholder of the Company and Robina is therefore a connected person of the Company, the transactions contemplated under the Subscription Agreement constitute connected transactions for the Company under the Listing Rules.

Since the Vendors are connected persons of the Company by reason of the relationship described above, the transactions contemplated under the Sale and Purchase Agreement constitute major and connected transactions for the Company under the Listing Rules. As the Sale Shares to be acquired by the Company under the Sale and Purchase Agreement are all listed on the Stock Exchange, the Sale and Purchase Agreement does not constitute a very substantial acquisition for the Company under Rule 14.06 of the Listing Rules.

The transactions under the Subscription Agreement and the Sale and Purchase Agreement will be subject to the approval of the Independent Shareholders at the SGM. Sino-i, the Vendors and their respective associates will abstain from voting on the resolutions approving these agreements.

As Mr. Francisco P. Acosta, one of the two independent non-executive Directors, is also an independent non-executive director of Sino-i, he is not considered sufficiently independent to give any advice or recommendation to the Independent Shareholders in relation to the Subscription Agreement and the Sale and Purchase Agreement. Accordingly, Mr. Chan Lap Stanley, the remaining independent non-executive Director, has been appointed as the Independent Director to advise the Independent Shareholders and First Shanghai has been appointed to advise the Independent Director in connection with the transactions contemplated under the Subscription Agreement and the Sale and Purchase Agreement.

SPECIAL GENERAL MEETING

The Directors have resolved to convene the SGM to consider and, if thought fit by the Independent Shareholders, to approve the transactions contemplated under the Subscription Agreement and the Sale and Purchase Agreement. Notice of the SGM is set out on pages 208 to 210 of this circular. Whether or not you are able to attend and vote at the SGM, you are requested to complete and return the enclosed form of proxy to the branch share registrars of the Company in Hong Kong, Abacus Share Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjourned meetings should you so wish.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Director as set out on page 39 of this circular and the letter of advice from First Shanghai as set out on pages 40 to 63 of this circular and the appendices to this circular.

Yours faithfully
For and on behalf of the board of
South Sea Holding Company Limited
Zhao Liang
Director

南海控股有限公司
SOUTH SEA HOLDING COMPANY LTD

South Sea Holding Company Limited

(Incorporated in Bermuda with limited liability)

23 March 2004

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION
involving the subscription of South Sea Notes
by Sino-i's wholly owned subsidiary
and
MAJOR AND CONNECTED TRANSACTION
involving the acquisition by the Company
of New Sino-i Shares

I have been appointed as the Independent Director to advise the Independent Shareholders in respect of the transactions contemplated under the Subscription Agreement, and Sale and Purchase Agreement, details of which are set out in the circular dated 23 March 2004 (the "Circular") to the shareholders of the Company. First Shanghai has been appointed as the independent financial adviser to advise me in this respect. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the letter from the Board containing, amongst others, details of the Subscription Agreement and Sale and Purchase Agreement and the letter from First Shanghai containing its advice to me as set out in the Circular.

Having taken into account the factors referred to in (i) the section headed "Reasons for the transactions" in the Letter from the Board; and (ii) the Letter of advice from First Shanghai, I consider that the terms of the Subscription Agreement and the Sale and Purchase Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of these agreements is in the interests of the Company and its shareholders as a whole. Accordingly, I recommend the Independent Shareholders to vote for the resolutions approving the transactions contemplated under the Subscription Agreement and Sale and Purchase Agreement.

Yours faithfully,
CHAN Lap Stanley
Independent Director

The following is the text of a letter of advice to the Independent Director from First Shanghai prepared for the purpose of incorporation in this circular.

第一上海
FIRST SHANGHAI GROUP

FIRST SHANGHAI CAPITAL LIMITED
19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

23 March 2004

To the Independent Director of
South Sea Holding Company Limited

Dear Sirs,

CONNECTED TRANSACTION
INVOLVING THE SUBSCRIPTION OF SOUTH SEA NOTES
BY SINO-I'S WHOLLY OWNED SUBSIDIARY

AND

MAJOR AND CONNECTED TRANSACTION
INVOLVING THE ACQUISITION BY THE COMPANY
OF NEW SINO-I SHARES

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Director in respect of the subscription of South Sea Notes by Sino-i's wholly owned subsidiary (the "Subscription") and the acquisition by the Company of New Sino-i Shares (the "Acquisition") (together the "Transactions"). Details of the Transactions are set out in the circular dated 23 March 2004 to the Shareholders (the "Circular") of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

In our capacity as the independent financial adviser to the Independent Director, our role is to give an independent opinion as to whether the Transactions are in the interests of the Company and the South Sea Shareholders as a whole and whether the terms of the Subscription Agreement and the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned. In formulating our opinions and recommendations, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the Directors, and have assumed that all information and representations provided were true at the time they were made and continue to be true as at the date hereof. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and have been advised by the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendations. We have not, however, conducted an in-depth investigation into the businesses and affairs of the South Sea Group and the Sino-i Group.

BACKGROUND OF THE TRANSACTIONS

On 29 December 2003, it was announced by the directors of the Company and Sino-i jointly, among other matters, that:

1. the Subscription Agreement was entered into between Robina, a wholly owned subsidiary of Sino-i and the Company under which the Company agreed to issue and Robina agreed to subscribe for the South Sea Notes in an aggregate principal amount of HK$200,000,000;

2. the directors of Sino-i propose to implement the Capital Reduction and the Distribution; and

3. the Sale and Purchase Agreement was entered into between the Company and the Vendors (who are collectively the controlling shareholders of Sino-i) under which the Company agreed to acquire from the Vendors a total of 12,515,795,316 New Sino-i Shares at a consideration of HK$976,334,238, representing a price of approximately HK$0.078 each.

As at the Latest Practicable Date, Mr. Yu, CITIC, Mr. Yiu Kin Wai and parties acting in concert with them (the "Concert Group") are interested in approximately 68.04% of the total issued share capital of Sino-i, and the Company is an approximately 67.71% owned subsidiary of Sino-i. Following the completion of the above-mentioned transactions, the Concert Group would be interested in approximately 68.36% of the total issued share capital of the Company, and Sino-i would become an approximately 62.85% owned subsidiary of the Company. In addition, the Concert Group would be interested in approximately 5.51% of the total issued share capital of Sino-i. Both the Subscription and the Acquisition constitute connected transactions of the Company under Chapter 14 of the Listing Rules and are conditional upon, among others, the approval of the Independent Shareholders.

Mr. Chan Lap Stanley, an independent non-executive Director, is to advise the Independent Shareholders in respect of the Subscription and the Acquisition.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

(1) THE SUBSCRIPTION

(i) Review of business and financial performance

Principal business of the South Sea Group

Currently, the South Sea Group is principally engaged in provision of electronic manufacturing services; design, manufacturing and marketing of consumer packaged electronics; and property development. Following the Company's acquisition of New Sino-i Shares under the Sale and Purchase Agreement, the Company will become the holding company of Sino-i. As such, the principal businesses of South Sea will also comprise those principal businesses currently engaged in by the Sino-i Group, i.e. information technology business, provision of financial information and related services, hotel operations, distance learning and application services, property investment, sales of securities and property development.

Operating and financial performance of the South Sea Group

The audited consolidated net profit of the South Sea Group before and after taxation and extraordinary and minority interests items for the year ended 31 March 2003 were approximately HK$230,000 and approximately HK$190,000 respectively. The corresponding figures for the year ended 31 March 2002 were approximately HK$52.30 million and HK$52.15 million respectively. The audited consolidated net assets of the South Sea Group as at 31 March 2002 and 31 March 2003 were approximately HK$2,355.50 million and HK$2,364.19 million respectively.

Based on the South Sea Group's audited consolidated financial statements for the year ended 31 March 2003, the South Sea Group had outstanding indebtedness totalling about HK$732.31 million as at 31 March 2003, all of which are interest bearing.

Based on the South Sea Group's unaudited interim report for the six months ended 30 September 2003, turnover for the six months ended 30 September 2003 was approximately HK$7.7 million (2002: approximately HK$34.2 million) and a net loss of approximately HK$8.8 million (2002: approximately HK$24.9 million) was recorded. The net asset value of the South Sea Group amounted to approximately HK$2,354.9 million, representing a value of approximately HK$0.079 per South Sea Share.

During the six months ended 30 September 2003, the property development and investment division of the South Sea Group recorded no sales turnover and a segmental profit of approximately HK$4.6 million. The profit was mainly attributable to negative goodwill released for the six months ended 30 September 2003. The major property development projects are in Shenzhen and Guangzhou, the PRC, of which, the Company owns 49% equity interest and the remaining 51% equity interest is owned by its holding company.

During the six months ended 30 September 2003, turnover from the consumer packaged electronics division of the South Sea Group was approximately HK$1.4 million (2002: approximately HK$14.3 million) and the corresponding segmental loss of approximately HK$1.4 million (2002: approximately HK$27.5 million) was recorded. The Directors were of the view that the improved result was attributed to the effective cost-cutting measures implemented during the period. The overall manufacturing business remains extremely competitive and profit margin continues to squeeze. The management of the Company will monitor the situation closely to ensure minimal impact from this competitive environment.

During the six months ended 30 September 2003, turnover from the electronic manufacturing service division of the South Sea Group was approximately HK$6.3 million (2002: approximately HK$19.9 million) and a segmental loss of HK$1.6 million (2002: approximately HK$0.7 million) was recorded during the period. The decline in turnover was attributable to lack of new customers and decreasing orders from existing customers. In addition, this line of business in Asia has always been extremely competitive, which resulted in further deterioration in the profit margin. As such, the management of the Company will continue to take various measures to reduce the negative financial impact from this business division.

Based on the Company's unaudited interim reports for the six months ended 30 September 2003, the South Sea Group had outstanding indebtedness totalling about HK$732.12 million as at 30 September 2003, all of which are interest bearing.

Going concern and liquidity position of the South Sea Group

To consider whether it is justifiable for entering into the Subscription Agreement, we have analysed the financial position of the South Sea Group. As set out in the annual reports of the Company for the two years ended 31 March 2003, we note that the auditors of the Company had issued a modified opinion on fundamental uncertainty relating to the going concern basis applied to the financial statements of the South Sea Group. According to the auditors of the Company, the going concern basis of the South Sea Group was dependent upon the continuing support of the South Sea Group's principal bankers and a creditor. (The creditor referred to is Power Ocean Investments Limited to which the Company owed a principal amount of about HK$210,000,000 as at 31 March 2003. This amount was subsequently fully repaid by the Company on 31 December 2003 through use of the proceeds of the shareholder's loan granted by Sino-i to the Company, further details of which are set out in the paragraph headed "Subscription Agreement and use of proceeds" under the section headed "Reasons for the transactions" in the "Letter from the Board" of the Circular.).

In order to analyse the liquidity position of the South Sea Group which is critical to its going concern status, we summarise in the following table (i) the net cash position, (ii) the liquidity position, (iii) the gearing position and (iv) the outstanding capital and other commitments of the South Sea Group:

	Unaudited	**Audited**	
	As at 30 September 2003	**As at 31 March 2003**	**As at 31 March 2002**
	HK$'000	*HK$'000*	*HK$'000*
Cash at banks and in hand	1,052	8,822	228,623
Bank overdrafts	(272)	(272)	(272)
Cash and cash equivalent	**780**	**8,550**	**228,351**
Current assets	245,658	224,075	353,058
Current liabilities	(918,946)	(811,432)	(860,651)
Net current liabilities	**(673,288)**	**(587,357)**	**(507,593)**
Total bank and other borrowings	(731,844)	(731,844)	(919,015)
Net tangible asset value	2,604,769	2,621,128	2,614,289
Gearing ratio	**28.10%**	**27.92%**	**35.15%**
Capital commitment	**9,509**	**22,355**	**25,231**

Source: Annual reports and interim report of the Company for the two years ended 31 March 2003 and the six months ended 30 September 2003 respectively

As at 31 March 2003, the South Sea Group's cash and cash equivalent available had significantly decreased to approximately HK$8.55 million from approximately HK$228.35 million as at 31 March 2002. Included in the balance of current assets, the trade and other receivables of the South Sea Group had increased from HK$43.18 million as at 31 March 2002 to approximately HK$212.03 million as at 31 March 2003, representing a significant increase of approximately four times over the financial year. To the contrary, the South Sea Group's cash at banks and in hand had decreased from approximately HK$228.62 million as at 31 March 2002 to approximately HK$8.82 million as at 31 March 2003, representing a significant decrease of approximately 96.14% over the financial year. The net current liability position of the South Sea Group had also deteriorated from approximately HK$507.59 million as at 31 March 2002 to approximately HK$587.36 million as at 31 March 2003, representing approximately 15.71% increase over the financial year.

Despite the improvement in the gearing position of the South Sea Group from approximately 35.15% as at 31 March 2002 to approximately 27.92% as at 31 March 2003 as set out in the annual report of the Company for the year ended 31 March 2003, the South Sea Group still had an aggregate bank and other borrowings of approximately HK$731.84 million as at 31 March 2003. For the year ended 31 March 2003, the validity of the going concern basis of the South Sea Group remained to be dependent upon the continuing support of the South Sea Group's principal bankers and creditors as stated in the auditors' report.

The net current liability position of the South Sea Group had further deteriorated from approximately HK$587.36 million as at 31 March 2003 to approximately HK$673.29 million as at 30 September 2003, representing an approximately 14.63% increase.

In the context of such tight liquidity position of the South Sea Group, we consider that it is justifiable for the South Sea Group to obtain a shareholder's loan from Sino-i to repay the amount due to Power Ocean Investments Limited and, on completion of the Subscription Agreement, set off against the consideration payable by Robina for the South Sea Notes, and subsequently reduce the South Sea Group's liabilities upon conversion of the South Sea Notes into South Sea Shares.

(ii) Reasons for the Subscription and use of proceeds

According to the joint announcement of Sino-i and the Company dated 29 December 2003, the cash proceeds of HK$200,000,000 from the issue of the South Sea Notes were intended to be wholly used for discharging the bulk of its outstanding indebtedness of approximately HK$210,000,000 owing to Power Ocean Investments Limited (being an independent third party). However, on 31 December 2003, the outstanding indebtedness of approximately HK$210,000,000 owing to Power Ocean Investments Limited has become due and payable by the Company. As set out in the section headed "Letter from the Board" in the Circular, given the constraint of the maturity date of such indebtedness owing to Power Ocean Investments Limited, and in view of the failure of the Company's attempt to negotiate for an extension of such maturity date, the South Sea Group could not wait for completion of the Subscription. Instead, the South Sea Group had on 31 December 2003 resorted to a bridging shareholder's loan from Sino-i of HK$210,000,000 for the purpose of duly repaying the said indebtedness in time.

In light of such new event which has taken place subsequent to the date of the said joint announcement, we understand that the issue of the South Sea Notes shall now be utilised to offset the bulk of the bridging shareholder's loan from the Sino-i Group of HK$210,000,000. In any event, the Directors confirm that the issue of the South Sea Notes under the Subscription remain to be used towards ultimately discharging the bulk of the outstanding indebtedness of the Company owing to Power Ocean Investments Limited.

(iii) The conversion price of the South Sea Notes

As mentioned in the section headed "Letter from the Board" of the Circular, if the entire principal amount of the South Sea Notes is converted at the initial conversion price of HK$0.018 per South Sea Share, a total number of 11,111,111,111 South Sea Shares will fall to be issued. These Conversion Shares represent approximately 37.12% of the existing issued share capital of the Company and approximately 27.07% of the issued share capital of the Company as enlarged by the Conversion Shares.

Reference to recent Share price performance

The initial conversion price of HK$0.018 per South Sea Share (the "Conversion Price") was determined after arm's length negotiation between Robina and the Company, which represents:

- a premium of 20% to the closing price of HK$0.015 per South Sea Share as quoted on the Stock Exchange on 24 December 2003, being the last trading day before the date of the Subscription Agreement;
- a premium of approximately 25.87% to the average closing price of HK$0.0143 per South Sea Share as quoted on the Stock Exchange for the last 10 trading days up to and including 24 December 2003;
- a premium of approximately 26.76% to the average closing price of HK$0.0142 per South Sea Share as quoted on the Stock Exchange for the last 30 trading days up to and including 24 December 2003; and
- a discount of approximately 18.18% to the closing price of HK$0.022 per South Sea Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The following chart shows the daily closing price of the South Sea Shares during the period from 2 January 2003 to the Latest Practicable Date:

Source: Bloomberg

Reference to net tangible asset value

The Conversion Price represents:

- a discount of approximately 79.54% to the audited consolidated net tangible asset value of approximately HK$0.088 per South Sea Share as recorded in the latest audited consolidated accounts of the Company for the year ended 31 March 2003; and

- a discount of approximately 79.31% to the unaudited consolidated net tangible assets of approximately HK$0.087 per South Sea Share as recorded in the latest unaudited consolidated accounts of the Company for the six months ended 30 September 2003, which is calculated by dividing the unaudited consolidated net tangible assets of the Company of approximately HK$2,604.77 million by 29,931,804,183 South Sea Shares in issue as at 30 September 2003.

Based on the audited annual report of the Company for the year ended 31 March 2003, the South Sea Group had its land held for development of approximately HK3,333.01 million, represented approximately 90.95% of its total assets. For the year 31 March 2003, South Sea Group's property development division recorded no turnover but with a contribution of approximately HK$12.09 million, represented approximately 51.34% of its profit from operations. Based on the unaudited interim report of the Company for the six months ended 30 September 2003, the South Sea Group still had its land held for development of approximately HK$3,360.95 million, represented approximately 90.25% of its total assets. For the six months ended 30 September 2003, South Sea Group's property development division recorded no turnover but with a contribution of approximately HK$4.56 million, represented approximately 73.92% of its profit from operations. Based on this understanding, we are of the opinion that the South Sea Group is principally a property development company.

For the purpose of comparison, we identified a total of four listed companies on the Main Board of Stock Exchange that engaged principally in property development in the PRC with market capitalisation similar to that of the Company. As illustrated in the following table, the discount of the closing price as at 29 December 2003 (being the date of the Subscription Agreement) and the Latest Practicable Date to the latest published net tangible asset value of the market comparables ranged from a premium of approximately 25.0% to a discount of 68.2%:

Comparable companies	Closing price as at 29 December 2003 (being the date of the Subscription Agreement)	Closing price as at the Latest Practicable Date	Latest published net tangible asset value per share	Discount to the latest published net tangible asset value per share as at 29 December 2003	Discount/ (premium) to the latest published net tangible asset value per share as at the Latest Practicable Date
	HK$	*HK$*	*HK$*	*%*	*%*
Shanghai Real Estate Holdings Limited (1207)	0.580	0.95	0.76	23.7%	(25.0)%
Grand Field Group Holdings Limited (115)	0.100	0.079	0.15	33.3%	47.3%
Dynamic Holdings Limited (29)	1.070	1.18	3.32	67.8%	64.5%
Coastal Realty Holdings Limited (1124)	0.194	0.235	0.61	68.2%	61.5%
Average				***48.2%***	***37.1%***
The Company	0.015	0.022	0.088	83.0%	75.0%

Upon comparison, we note that the discount as represented by the Conversion Price of approximately 79.54% to the audited consolidated net tangible asset value of approximately HK$0.088 per South Sea Share as at 31 March 2003 is higher than the range of the market comparables as shown in the above table. Given (i) the current tight liquidity position faced by the South Sea Group, it is necessary for the South Sea Group to implement measures to repay its outstanding borrowings; (ii) the issuance of the South Sea Notes can effectively lower the weighted average costs of borrowing of the Company; and (iii) the Conversion Price represents a premium of 20% to the closing price of HK$0.015 per South Sea Share as quoted on the Stock Exchange on 24 December 2004 (the last trading day before the date of the Subscription Agreement), we are of the view that the issuance of the South Sea Notes is in the interest of the Company and the discount of the Conversion Price to the audited consolidated net tangible asset value of the South Sea Group is acceptable so far as the Independent Shareholders are concerned.

Reference to price earnings multiple

One of the most commonly used reference in evaluating a listed company is the price earnings multiple based on its historical earnings. However, as it is not a common market practice to value property companies using price earnings multiple, we do not consider it relevant to include a reference of the Conversion Price to price earnings multiple.

(iv) Interest rate of the South Sea Notes

The principal amount outstanding under the South Sea Notes will bear interest at the rate of 1% per annum payable quarterly in arrears commencing three months after the date of issue of the South Sea Notes and will, unless previously converted, be repaid by the Company to the holder of such notes on the maturity date, which is the date falling 12 months from the date of issue of the South Sea Notes.

As far as market comparables are concerned, we identified numerous recent cases of issuance of convertible notes by companies listed on the Stock Exchange. We noted that the coupon interest rate of most of these convertible notes ranged from 0% to 5% per annum. Upon comparison, the interest rate of 1% per annum of the South Sea Notes is at the low end of the range when compared with those of the other identified market comparables.

As far as the cost of funding of the South Sea Group is concerned, the Directors advised that the South Sea Group has outstanding borrowings from banks or other financial institutions in an aggregate amount of HK$521.84 million as at 31 December 2003, with the costs of borrowing (i) ranging from 4.4% to 6.65% and (ii) having a weighted average of 4.6%. Upon comparison, the interest rate of 1% per annum of the South Sea Notes is relatively lower than the prevailing costs of borrowing of the South Sea Group from financial creditors. On such basis, and given that the principal sum of the South Sea Notes amounts to HK$200 million, the issuance of the South Sea Notes can effectively lower the weighted average costs of borrowing of the Company and is therefore in the interest of the Company.

(v) Financial effect of the Subscription

Earnings

Given that the South Sea Notes bear interest at a rate of 1% per annum and the issue size of the South Sea Notes of HK$200 million, the Company is obliged to pay an annual interest expenses of HK$2 million to Robina, unless the South Sea Notes are redeemed by the Company or converted by Robina. Taking into account of the interest expenses for the South Sea Notes, the issuance of the South Sea Notes of a principal amount of HK$200 million would bring the South Sea Group to incur additional finance cost of HK$2 million per annum, which would be reflected in the profit and loss account of the Company. However, upon full conversion of the South Sea Notes into the South Sea Shares, no further finance costs attributable to the South Sea Notes will be incurred by the South Sea Group.

Net tangible asset value and net tangible asset value per Share

As provided by the Directors, the effect on the pro forma adjusted unaudited consolidated net tangible assets of the South Sea Group upon full conversion of the South Sea Notes is set out as follows:

		Per South Sea Share
	HK$' million	*HK$*
Unaudited consolidated net tangible assets of the Group as at 30 September 2003	2,604.77 *(Note 1)*	0.087 *(Note 2)*
Add: Issue and allotment of new South Sea Shares upon conversion of the South Sea Notes	200.00	
Pro forma adjusted unaudited consolidated net tangible assets of the South Sea Group	2,804.77	0.068 *(Note 3)*

Notes:

1. Based on information from the unaudited interim report of the Company for the six months ended 30 September 2003
2. Based on 29,931,804,183 South Sea Shares in issue as at the Latest Practicable Date
3. Based on 41,042,915,294 South Sea Shares in issue upon full conversion of the South Sea Notes with principal of HK$200 million

As illustrated in the above summary, the pro forma adjusted unaudited consolidated net tangible assets of the Group would, upon the issue and the subsequent possible conversion of the South Sea Notes with the aggregate principal amount of HK$200 million in full, would experience an increase from approximately HK$2,604.77 million to approximately HK$2,804.77 million, representing an increase of approximately 7.68%.

However, on a per share basis, the net tangible assets per South Sea Share would be reduced from approximately HK$0.087 to approximately HK$0.068 upon the issue and the subsequent conversion of the South Sea Notes in full, representing a reduction of approximately 21.84%. Such reduction is attributable to the difference between the initial conversion price of HK$0.018 to the latest unaudited consolidated net tangible asset value of HK$0.087 per South Sea Share. Given the benefit to the South Sea Group with the issue of the South Sea Notes, we consider that such reduction in the net tangible asset value per South Sea Share is acceptable.

Gearing

The gearing ratios of the South Sea Group before and after completion of the Subscription Agreement and the subsequent conversion are estimated in the following table:

	Assuming full conversion of the South Sea Notes of HK$200 million by Robina		
	Total borrowings	**Pro forma net tangible asset**	**Gearing ratio**
	HK$' million	*HK$' million*	*%*
Before issue of the South Sea Notes	731.84 *(Note 1)*	2,604.77 *(Note 2)*	28.10% *(Note 3)*
After issue of the South Sea Notes and the issue of new Shares upon full conversion of the South Sea Notes	531.84	2,804.77	18.96%

Notes:

1. Based on the total borrowings as at 30 September 2003 as set out in the interim report of the Company for the six months ended 30 September 2003

2. Based on the summary of pro forma unaudited adjusted consolidated net tangible assets as set out in the above section headed "Net tangible assets value and net tangible assets value per Share"

3. Being the total borrowings as at 30 September 2003 (under Note 1) as divided by the pro forma unaudited adjusted consolidated net tangible assets as set out in the above section headed "Net tangible assets value and net tangible assets value per Share" (under Note 2).

As set out in the above table, upon the issue and the subsequent conversion of the South Sea Notes in full, the gearing ratio of the South Sea Group would reduce from approximately 28.10% to approximately 18.96%. Hence, it is demonstrated that the issue and subsequent full conversion of the South Sea Notes would bring about a positive effect on the gearing position of the South Sea Group. However, Independent Shareholders should note that the gearing position of the South Sea Group may not be improved in the event that the South Sea Notes are fully repaid in cash on the maturity date without any conversion.

(vi) Dilution effect of the Conversion Shares

The shareholding structures of the Company before and after conversion in full of the South Sea Notes at a conversion price of HK$0.018 are illustrated below:

Name of shareholders	Existing shareholding		Shareholding structure after full conversion of the South Sea Notes	
	No. of Shares	*%*	*No. of Shares*	*%*
Victorious Limited *(Note)*	11,976,270,000	40.01	11,976,270,000	29.18
Robina Profits Limited *(Note)*	400,000,000	1.34	11,511,111,111	28.05
Ko Tact Limited *(Note)*	7,890,450,000	26.36	7,890,450,000	19.22
Sub-total held by Sino-i's wholly owned subsidiaries	**20,266,720,000**	**67.71**	**31,377,831,111**	**76.45**
Public shareholders	9,665,084,183	32.29	9,665,084,183	23.55
Total	**29,931,804,183**	**100.00**	**41,042,915,294**	**100.00**

Note: Victorious Limited, Robina Profits Limited and Ko Tact Limited are all wholly owned subsidiaries of Sino-i.

Upon full conversion of the South Sea Notes, the aggregate shareholding interests in the Company held by Sino-i's wholly owned subsidiaries will be increased from approximately 67.71% to approximately 76.45% and the interests in the Company held by the public shareholders will be diluted from approximately 32.29% to approximately 23.55%.

Notwithstanding such dilution which must be incidental to the conversion of the South Sea Notes, there would be an enlargement in the capital base of the Company and an improvement in the gearing position of the Group as set out in the above sections. After all, Independent Shareholders should not neglect the rationale in entering into the Subscription Agreement for repayment of debt when the Group is under a tight liquidity position. Given that the Subscription would improve the financial position of the Company, we consider that such dilution is acceptable.

(2) THE ACQUISITION

(i) The business operation and financial performance of Sino-i

Principal business of Sino-i

Sino-i is currently the holding company of the Company and members of the South Sea Group are principally engaged in provision of electronic manufacturing services; design, manufacturing and marketing of consumer packaged electronics; and property development. The Sino-i Group itself (excluding the South Sea Group) is principally engaged in information technology business, provision of financial information and related services, hotel operations, distance learning and application services, property investment, sales of securities and property development. The properties held by the Sino-i Group are occupied by the Sino-i Group, leased out to other parties or for development and Sino-i aims to dispose of these properties if suitable opportunities arise so as to streamline its business and focus on its internet related operation.

Operating and financial performance of the Sino-i Group

Based on the pro forma income statements of the Sino-i Group (in the absence of the South Sea Group) as disclosed in Part B of Appendix III of this circular, the pro forma net loss before and after taxation and minority interest of the Sino-i Group for the year ended 31 March 2003 were approximately HK$22.73 million and HK$42.31 million respectively, representing a net loss on equity of approximately 2.73%, while the pro forma net loss before and after taxation and minority interest of the Sino-i Group (in the absence of the South Sea Group) for the year ended 31 March 2002 were approximately HK$30.90 million and HK$53.00 million respectively. As advised by the Directors, the improved results were mainly attributable to the better performance in the information technology business of the Sino-i Group during the year ended 31 March 2003.

For the six months ended 30 September 2003, the pro forma net profit before and after taxation and minority interest of the Sino-i Group (in the absence of the South Sea Group) were approximately HK$72.95 million and HK$52.78 million respectively, representing a net return on equity of approximately 3.29%. The Directors further advised that the improved result was mainly attributable to strong increase in turnover and profit derived from the information technology business.

Based on the pro forma balance sheets of the Sino-i Group (in the absence of the South Sea Group), the net asset value of the Sino-i Group was approximately HK$1,190.20 million, HK$1,553.49 million and HK$1,605.33 million as at 31 March 2002 and 2003 and 30 September 2003 respectively.

However, the Directors would like to emphasize that the pro forma financial information is prepared for illustration purposes only and because of its nature, it may not give a true picture of the financial position or results of the Sino-i Group. The detailed basis of preparation of the pro forma income statements of Sino-i Group for the three years ended 31 March 2003 and the six months ended 30 September 2003 is included in Part B of Appendix III of the Circular. The detailed basis of preparation of pro forma balance sheets of Sino-i Group as at 31 March 2002, 2003 and 30 September 2003 is included in Part C of Appendix III of the Circular

As also mentioned in the unaudited interim report of Sino-i for the six months ended 30 September 2003, turnover in the provision of financial information for the period was approximately HK$50.3 million (2002: approximately HK$37.7 million) and recorded a segmental profit of approximately HK$16.8 million (2002: approximately HK$9.4 million). The increment in both turnover and profit was mainly due to the increasing subscription of the services provided by the South Sea Group's subsidiary, Beijing Shihua International Financial Information Company Limited ("Shihua") for its customers. Shihua dominates 85% of the futures market and 65% of the Banking sector which provides personal FOREX information in the PRC.

Going concern and liquidity position of the South Sea Group and the Enlarged Group

We have looked into the financial position of the South Sea Group and the Enlarged Group. As set out in the annual reports of the Company for the three years ended 31 March 2003, we note that the auditors of the Company had issued a modified opinion on fundamental uncertainty relating to the going concern basis applied to the financial statements of the South Sea Group. According to the auditors of the Company, the going concern basis of the South Sea Group was dependent upon the continuing support of the South Sea Group's principal bankers and creditors. According to the auditors of Sino-i, it also had such a going concern issue on the financial statements of the Existing Sino-i Group which was dependent upon the continuing support of the Sino-i Group's principal bankers and creditors.

In order to analyse the liquidity position of the South Sea Group and the Enlarged Group which is critical to its going concern status, we summarise in the following table (i) the cash position, (ii) the liquidity position and (iii) the gearing position of the South Sea Group as at 30 September 2003 and the Enlarged Group immediately after the Acquisition based on the pro forma statement of unaudited adjusted assets and liabilities of the Enlarged Group as disclosed in Appendix III to the Circular:

	South Sea Group as at 30 September 2003	**Unaudited South Sea Group after adjustment for the Subscription and its conversion into Shares**	**South Sea Group immediately after the Acquisition**
	HK$'000	*HK$'000*	*HK$'000*
Cash at banks and in hand	**1,052**	**1,052**	**36,517**
Current assets	245,658	245,658	810,273
Current liabilities	(918,946)	(718,946)	(1,119,798)
Net current liabilities	**(673,288)**	**(473,288)**	**(309,525)**
Total bank and other borrowings	(522,116)	(522,116)	(883,809)
Net tangible asset value	2,604,769	2,804,769	2,683,216
Gearing ratio	**20.04%**	**18.62%**	**32.94%**

Source: Interim report of the Company for the six months ended 30 September 2003 and the pro forma statement of unaudited adjusted assets and liabilities of the Enlarged Group as disclosed in Appendix III to the Circular

Immediately after the Acquisition, the Enlarged Group's cash position had significantly increased to approximately HK$36.52 million from approximately HK$1.05 million of the South Sea Group as at 30 September 2003, representing a significant increase of approximately 33.7 times having taken into account the effect of the Acquisition. Included in the balance of current assets, the trade and other receivables of the Enlarged Group had increased to approximately HK$764.36 million immediately after the Acquisition from approximately HK$241.17 million of South Sea Group as at 30 September 2003, representing a significant increase of approximately 2.17 times over that as at 30 September 2003.

In addition, the net current liability position of the Enlarged Group immediately after the Acquisition would have also improved to approximately HK$309.53 million from approximately HK$673.29 million of South Sea Group as at 30 September 2003, representing approximately 54.03% decrease having taken into account the effect of the Acquisition. As such, even though the Enlarged Group would still be at a tight liquidity position, the liquidity would be improved by the Acquisition.

On the other hand, the gearing position of the Enlarged Group would have deteriorated to approximately 32.94% immediately after the Acquisition from approximately 20.04% of South Sea Group. The Enlarged Group would have had an aggregate bank and other borrowings of approximately HK$883.81 million immediately after the Acquisition. Given the current tight liquidity position of the South Sea Group, we consider that it is acceptable for the Enlarged Group to have a higher gearing ratio with the associated benefit for improving its short term liquidity position.

(ii) Reasons for the Acquisition

Sino-i is currently indirectly interested in about 67.71% of the Company's issued share capital and the Company is therefore a subsidiary of Sino-i. As described above, the Company's acquisition of New Sino-i Shares under the Sale and Purchase Agreement will not occur unless the Distribution is completed. Following the Distribution, the Company will no longer be a subsidiary of Sino-i and this will enable the Company to implement the transactions under the Sale and Purchase Agreement.

The Directors consider that the acquisition by the Company of an approximately 62.85% in Sino-i under the Sale and Purchase Agreement will enable the Company to become the holding company of Sino-i and the results of the Sino-i Group to be consolidated into the accounts of the Company. This will allow the public shareholders and investors of the Company to continue holding an investment in the property portfolio of the South Sea Group, whilst giving them an opportunity to benefit from the potential growth in the existing business sector in which the Sino-i Group presently operates. As explained above, following the Company's acquisition of New Sino-i Shares under the Sale and Purchase Agreement, the Company will become the holding company of Sino-i. As such, the principal businesses of the Company will also comprise those principal businesses currently engaged in by the Sino-i Group, i.e. the development and provision of Internet content and application services such as financial information, industry specific content and e-commerce online services in the PRC. The Company also intends to maintain the existing principal businesses of the South Sea Group.

(iii) The consideration for the Acquisition

Basis of determination

The acquisition of a total of 12,515,795,316 New Sino-i Shares at a consideration of HK$976,334,238 represents a price of approximately HK$0.078 each. The price of approximately HK$0.078 per Sale Share represents:

- a discount of about 67.5% to the closing price per Sino-i Share of HK$0.24 as quoted on the Stock Exchange on 24 December 2003, being the last trading day prior to the date of the Sale and Purchase Agreement;

- a discount of about 61.27% to HK$0.2014, being the average closing price per Sino-i Share as quoted on the Stock Exchange for the ten trading days up to and including 24 December 2003;

- a discount of about 59.71% to HK$0.1936, being the average closing price per Sino-i Share as quoted on the Stock Exchange for the thirty trading days up to and including 24 December 2003;

- a discount of approximately 54.65% to the closing price of HK$0.172 per Sino-i Share as quoted on the Stock Exchange as at the Latest Practicable Date;

- a discount of approximately 58.95% to the audited consolidated net asset value of approximately HK$0.19 per Sino-i Share as recorded in the latest audited consolidated accounts of Sino-i for the year ended 31 March 2003;

- a discount of approximately 50.32% to the unaudited consolidated net tangible assets of approximately HK$0.1570 per Sino-i Share as recorded in the latest unaudited consolidated accounts of the Sino-i Group for the six months ended 30 September 2003, which is calculated by dividing the unaudited consolidated net tangible assets of the Existing Sino-i Group of approximately HK$2,498.24 million before the respective events by 15,914,504,877 Sino-i Shares in issue as at 30 September 2003;

- a premium of approximately 41.82% over the pro forma unaudited adjusted consolidated net tangible assets following Distribution of approximately HK$0.055 per New Sino-i Share, which is calculated by dividing the pro forma unaudited adjusted consolidated net tangible assets of the Sino-i Group following Distribution of approximately HK$1,098.73 million by 19,914,504,877 New Sino-i Shares; and

- a discount of approximately 3.70% to the pro forma unaudited adjusted consolidated net asset value following Distribution of approximately HK$0.081 per Sino-i Share, which is calculated by dividing the pro forma unaudited adjusted consolidated net asset value of the Sino-i Group following Distribution of approximately HK$1,605.33 million by 19,914,504,877 New Sino-i Shares.

Based on the closing price of HK$0.24 per Sino-i Share as quoted on the Stock Exchange on 24 December 2003, the current market value for the Sale Shares amounts to HK$3,003,790,875.84. However, given that the current market price of Sino-i Shares reflects the value of both the South Sea Group and the Sino-i Group, we consider that the prevailing market price of the Sino-i Shares do not provide a meaningful reference for the basis of determination of the total consideration.

The consideration for the Sale Shares was determined after arm's length negotiations between the parties and is equivalent to about 62.85% of the unaudited adjusted consolidated net asset value of the Sino-i Group of approximately HK$1,553,494,000 which is prepared based on the audited consolidated net asset value of Sino-i as at 31 March 2003 and adjusted to take account of the effects of (i) the conversion in full of convertible loan note of Sino-i in an aggregate principal amount of HK$200,000,000 by Empire Gate Industrial Limited on 25 June 2003; (ii) the full conversion of all Sino-i Notes in issue and to be issued in an aggregate principal amount of HK$400,000,000 proposed to be effected prior to the Capital Reduction; and (iii) the Distribution. On this basis, the consideration for the Sale Shares represents a price to book ratio of one time. Should the unaudited adjusted consolidated net asset value of the Sino-i Group is prepared based on the unaudited consolidated net asset value of the South Sea Group as at 30 September 2003, the consideration for the Sale Shares would have represented a price to book ratio of slightly less than one time. Please refer to the sub-paragraph headed "Reference to net asset value" of this section below.

Form of consideration and its payment terms

Half of the consideration will be satisfied by an issue of 27,120,395,500 Consideration Shares at a price of HK$0.018 each to the Vendors upon Completion, representing approximately 39.79% of its enlarged issued share capital following full conversion of the South Sea Notes and issue of the Consideration Shares. The issue price of HK$0.018 per Consideration Share represents:

- a premium of 20% to the closing price per South Sea Share of HK$0.015 as quoted on the Stock Exchange on 24 December 2003, being the last trading day prior to the date of the Sale and Purchase Agreement;

- a premium of about 25.87% to HK$0.0143, being the average closing price per South Sea Share as quoted on the Stock Exchange for the ten trading days up to and including 24 December 2003;

- a premium of about 26.76% to HK$0.0142, being the average closing price per South Sea Share as quoted on the Stock Exchange for the thirty trading days up to and including 24 December 2003;

- a discount of about 77.22% to the audited consolidated net asset value of approximately HK$0.079 per South Sea Share as recorded in the latest audited consolidated accounts of the Company for the year ended 31 March 2003;

- a discount of approximately 79.31% to the unaudited consolidated net tangible assets of approximately HK$0.087 per South Sea Share as recorded in the latest unaudited consolidated accounts of the Company for the six months ended 30 September 2003, which is calculated by dividing the unaudited consolidated net tangible assets of the Company of approximately HK$2,604.77 million and by 29,931,804,183 South Sea Shares in issue as at 30 September 2003; and

- a discount of approximately 73.53% to the pro forma unaudited adjusted net tangible assets of approximately HK$0.068 per South Sea Share based on the unaudited consolidated net tangible assets of the Company as at 30 September 2003, which is calculated by dividing the pro forma unaudited adjusted consolidated net tangible assets of the Company of approximately HK$2,804.77 million by 41,042,915,294 South Sea Shares expected to be in issue taking into account the effect of the Subscription and full conversion of the South Sea Notes.

The remaining half of the consideration of HK$488,167,119 will, subject to adjustment, be paid in cash to the Vendors on the date falling 60 months after the date of Completion or any other later date to be mutually agreed by the parties. The Company intends to dispose of certain properties of the South Sea Group prior to the due date for the satisfaction of the cash part of the consideration and utilise the proceeds from such disposal towards funding the cash payments required to be made.

Since half of the total consideration of the Sale and Purchase Agreement will be satisfied by issue of the Consideration Shares, whilst the remaining half of which would be settled in cash to the Vendors on the date falling 60 months after the date of Completion or any other later date to be mutually agreed by the parties, the Acquisition is not expected to increase the borrowings of the South Sea Group. The Directors also advised that the Acquisition would not affect the working capital position of the South Sea Group immediately following the Completion save for the immaterial transaction cost incurred in relation to the Acquisition. On such basis, we are of the opinion that the form of consideration and payment terms under the Sale and Purchase Agreement are fair and reasonable for the Company and the South Sea Shareholders as a whole.

The issue price of the Consideration Shares of HK$0.018 each is equal to the Conversion Price. We consider that such issue price is fair and reasonable based on the same reasoning as set out in the paragraph headed "The Subscription" above and that the issue of the Consideration Shares reduces the cash outlay of the South Sea Group for the Acquisition.

A comparison of the value of the Sale Shares and the value of the consideration for the Acquisition based on the closing prices as at 24 December 2003 and the Latest Practicable Date is set out below.

	Number	Closing price as at 24 December 2003	Market value as at 24 December 2003	Closing price as at the Latest Practicable Date	Market value as at the Latest Practicable Date
		HK$	*HK$*	*HK$*	*HK$*
Sale Shares	12,515,795,316	0.24	3,003,790,875.84	0.172	2,152,716,794.35
Consideration Shares	27,120,395,500	0.015	406,805,932.50	0.022	596,648,701.00
Cash consideration			488,167,119.00	–	488,167,119.00
Total value of consideration			894,973,051.50	–	1,084,815,820.00

It can be seen that the market value of the consideration for the Acquisition is at a discount of approximately 70.21% and 49.61% to the market value of the Sale Shares as at 24 December 2003 and the Latest Practicable Date respectively. From this point of view, we consider that the consideration for the Acquisition is fair and reasonable.

A comparison of the value of the Sale Shares and the value of the consideration for the Acquisition based on adjusted net asset value is set out below.

	Value based on adjusted net asset value as at 31 March 2003	Value based on adjusted net asset value as at 30 September 2003
	(HK$)	*(HK$)*
Sale Shares	976,334,238	1,013,779,420
Consideration Shares	1,220,417,798	1,220,417,798
Cash consideration	488,167,119	488,167,119
Total value of consideration	1,708,584,917	1,708,584,917

It can be seen that the total value of the consideration for the Acquisition is at a premium of approximately 75.0% and 68.5% respectively to the total value of the Sale Shares based on adjusted net asset value as at 31 March 2003 and 30 September 2003 respectively. However, we do not consider such comparison as meaningful since (i) the South Sea Group is an asset intensive company due to its business nature as a property developer; (ii) the Sino-i Group is primarily an information technology group which is not as asset intensive as a property developer; and (iii) the value of the Sale Shares and the Consideration Shares are better reflected by their market value.

Reference to net asset value

For the purpose of comparison, we identified a total of six listed companies on the Main Board of the Stock Exchange which engage principally in information technology related businesses similar to those of the Sino-i Group. As illustrated in the following table, the price to book ratio calculated by the closing price as at 29 December 2003 (being the date of the Subscription Agreement) divided by the latest published net asset value of the market comparables ranged from approximately 0.96 times to approximately 33.33 times and with an average of approximately 6.65 times:

Comparable companies	**Closing price as at 29 December 2003 (being the date of the Sale and Purchase Agreement)**	**Closing price as at the Latest Practicable Date**	**Latest published net asset value per share**	**Closing price as at 29 December 2003 to book ratio**	**Closing price as at the Latest Practicable Date to book ratio**
	HK$	*HK$*	*HK$*	*(times)*	*(times)*
Computer and Technologies Holdings Limited (46) *(Note 1)*	1.70	1.77	1.131	1.50	1.56
21 CN CyberNet Corporation Limited (241) *(Note 2)*	1.00	0.96	0.030	33.33	32.00
Founder Holdings Limited (418) *(Note 2)*	0.80	0.91	0.285	2.81	3.19
Start Technology Company Limited (706) *(Note 2)*	0.16	0.435	0.690	0.23	0.63
Automated Systems Holdings Limited (771) *(Note 3)*	1.43	1.44	1.495	0.96	0.96
Techwayson Holdings Limited (2330) *(Note 4)*	0.55	0.62	0.520	1.06	1.19
Average				***6.65***	***6.59***

Notes:

1. Computer and Technologies Holdings Limited is principally engaged in the provision of system integration, technical and e-business related services; distribution of computer hardware and software and related accessories.

2. These comparable companies are principally engaged in the provision of system integration services and development of software.

3. Automated Systems Holdings Limited is principally engaged in the sale of computer equipment and software, patents and licences. It also provides system integration and development, maintenance and outsourcing services.

4. Techwayson Holdings Limited is principally engaged in the design, supply and integration of automation and control systems.

Upon comparison, we note that the price to book ratio of the consideration for the Acquisition of approximately one time is far below the average price to book ratio of 6.32 times and 6.56 times of the market comparable as at 29 December 2003 and the Latest Practicable Date respectively. On this basis, we are of the view that the consideration for the Acquisition is fair and reasonable.

Reference to price earnings multiples

One of the most commonly used references in evaluating a listed company is the price earnings multiple based on its historical earnings. However, given that the current market price of Sino-i Shares reflects the value of both the South Sea Group and the Sino-i Group, the reference of the consideration for the Acquisition to price earnings multiple is inapplicable for evaluation purpose in this case.

(iv) Financial effect of the Acquisition

Net tangible asset value

Based on the pro forma statement of unaudited adjusted consolidated net tangible assets of the South Sea Group as disclosed in Appendix III to the Circular, the pro forma adjusted unaudited consolidated net tangible assets of the South Sea Group immediately before and after the Completion are approximately HK$2,804.77 million and HK$2,683.22 million respectively, representing a slight decrease of approximately 4.33%. Based on 41,042,915,294 and 68,163,310,794 South Sea Shares in issue as at the date immediately after the conversion of South Sea Notes into the South Sea Shares and after the Completion respectively, the respective pro forma adjusted unaudited consolidated net tangible assets per South Sea Share before and after the Completion is approximately HK$0.068 and HK$0.039, representing a decrease of 42.65%.

Given that (i) the Acquisition will allow the public shareholders and investors of the Company to continue holding an investment in the property portfolio of the South Sea Group, whilst giving them an opportunity to benefit from the potential growth in the existing business sector in which the Sino-i Group presently operates; (ii) the South Sea Group is currently in a tight liquidity position; and (iii) the issue of the Consideration Shares for settlement of half of the total consideration would reduce the cash outlay of the South Sea Group for the Acquisition, we consider that the decrease in net tangible assets per South Sea Share resulting from the Acquisition is acceptable.

Effect on future profit and loss account

As the consideration for the Acquisition was determined based on the attributable net asset value of South Sea Group as at 31 March 2003, a negative goodwill of approximately HK$32.62 million is expected to arise from the Acquisition which will require to be amortised to the profit and loss account of the South Sea Group in the future.

Immediately after the Completion, Sino-i will become a subsidiary of the Company. The future profit and loss of Sino-i will be consolidated into the accounts of the South Sea Group.

(v) Dilution effect on shareholding

Assuming that the Acquisition is approved, a total of 27,120,395,500 new South Sea Shares will be issued by the Company. The Consideration Shares represent approximately 90.61% of the existing issued share capital of the Company. If the South Sea Notes are issued and converted in full, the Consideration Shares will represent approximately 66.08% of the issued share capital of the Company as enlarged by the Conversion Shares and approximately 39.79% of the issued share capital of the Company as enlarged by the Conversion Shares and the Consideration Shares. Shareholding of the public South Sea Shareholders in the Company will be diluted from current level of approximately 32.29% to approximately 28.73%. Given that (i) the Acquisition will allow the public shareholders and investors of the Company to continue holding an investment in the property portfolio of the South Sea Group, whilst giving them an opportunity to benefit from the potential growth in the existing business sector in which the Sino-i Group presently operates; and (ii) the issue of the Consideration Shares would reduce the cash outlay of the South Sea Group for the Acquisition, we consider that the dilution of shareholding interest of the Independent Shareholders of South Sea arising from the issue of the Consideration Shares is acceptable.

RECOMMENDATIONS

(1) THE SUBSCRIPTION

Having considered the above factors, and particularly:

- the current liquidity position of the South Sea Group;
- that the South Sea Notes provide an opportunity for the Company to reduce its costs of borrowing;
- that the issue and subsequent conversion of the South Sea Notes will reduce the debt of the South Sea Group and thereby improving its gearing position; and
- that the initial Conversion Price of HK$0.018 (subject to adjustments) is acceptable;

we are of the opinion that the Subscription is in the interest of the Company and the South Sea Shareholders as a whole and that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Director to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Subscription.

(2) THE ACQUISITION

Having considered the above factors, and particularly:

- the reasons for the Acquisition;
- that the price to book ratio of the consideration for the Acquisition of approximately one time is fair and reasonable;
- that the issue of the Consideration Shares reduces the cash outlay of the South Sea Group for the Acquisition; and
- that the issue price of the Consideration Shares is fair and reasonable,

we are of the opinion that the Acquisition is in the interest of the Company and the South Sea Shareholders as a whole and that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Director to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited
Helen Zee **Byron Tan**
Managing Director *Executive Director*

PART A. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

		HK$
Authorised:		
500,000,000,000	South Sea Shares	5,000,000,000
Issued and fully paid:		
29,931,804,183	South Sea Shares as at the Latest Practicable Date	299,318,041
Based on the issued share capital as at the Latest Practicable Date and following issue of the Conversion Shares and the Consideration Shares, the issued share capital will be:		
29,931,804,183	South Sea Shares as at the Latest Practicable Date	299,318,041
11,111,111,111	Conversion Shares	111,111,111
27,120,395,500	Consideration Shares	271,203,955
68,163,310,794		681,633,107

PART B. UNAUDITED INTERIM RESULTS

The following is extracted from the unaudited interim report of the South Sea Group for the six months ended 30 September 2003:

Condensed Consolidated Profit and Loss Account – Unaudited
For the six months ended 30 September 2003

		For the six months ended 30 September	
		2003	**2002**
	Notes	*HK$'000*	*HK$'000*
Turnover	*2*	7,723	34,160
Cost of sales		(9,979)	(33,219)
Gross (loss)/profit		(2,256)	941
Other revenue		13,121	30,573
Engineering expenses		(181)	(3,001)
Administrative expenses		(1,391)	(24,086)
Depreciation and amortisation	*3*	(2,772)	(7,529)
Other operating expenses		(347)	(12,067)
Profit/(Loss) from operations	*3*	6,174	(15,169)
Finance costs		(14,623)	(9,664)
Share of results in an associated company		(376)	–
Loss before taxation		(8,825)	(24,833)
Taxation	*4*	–	(27)
Loss before minority interests		(8,825)	(24,860)
Minority interests		–	–
Loss for the period attributable to shareholders		(8,825)	(24,860)
		HK cents	*HK cents*
Loss per share			
– Basic	*5*	(0.03)	(0.08)

Condensed Consolidated Balance Sheet
As at 30 September 2003

	Notes	(Unaudited) 30 September 2003 HK$'000	(Audited) 31 March 2003 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		52,675	55,347
Land held for development		3,360,949	3,333,012
Interest in an associate		208,848	209,223
Long term investment		105,815	–
Deposit for acquisition of investments		–	100,000
Product development costs		211	176
Negative goodwill		(250,069)	(257,113)
		3,478,429	3,440,645
Current assets			
Inventories		3,437	3,223
Trade and bills receivables	6	56,697	53,673
Other receivables and deposits		184,472	158,357
Cash at banks and in hand		1,052	8,822
		245,658	224,075
Current liabilities			
Amounts due to ultimate holding company		67,734	40,043
Amounts due to fellow subsidiaries		120,445	96,376
Trade and bills payables	7	6,386	4,989
Land premium payables		163,606	163,606
Other payables and accruals		459,240	443,555
Provision for tax		164	164
Bank loans and overdrafts (secured)	8	101,371	62,504
Finance leases		–	195
		918,946	811,432
Net current liabilities		(673,288)	(587,357)
Total assets less current liabilities		2,805,141	2,853,288
Non-current liabilities			
Bank loans (secured)	8	420,745	459,612
Deposit received		28,695	28,695
Deferred taxation		790	790
		450,230	489,097
Minority interests		–	–
Net assets		2,354,911	2,364,191
CAPITAL AND RESERVES			
Share capital	9	299,318	299,318
Reserves		2,055,593	2,064,873
Shareholders' funds		2,354,911	2,364,191

Condensed Consolidated Cash Flow Statement – Unaudited
For the six months ended 30 September 2003

	For the six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
Net cash (outflow)/inflow from operating activities	(28,058)	15,346
Net cash outflow from investing activities	(31,277)	(30,403)
Net cash inflow/(outflow) from financing	51,565	(210,664)
Decrease in cash and cash equivalents	(7,770)	(225,721)
Cash and cash equivalents at 1 April	8,550	228,351
Cash and cash equivalents at 30 September	780	2,630
Analysis of balances of cash and cash equivalents		
Bank balances and cash	1,052	2,630
Bank overdrafts	(272)	–
	780	2,630

Condensed Consolidated Statement of Changes in Equity – Unaudited
For the six months ended 30 September 2003

	Share capital	Share premium	Capital reserve	Property Revaluation reserve	Exchange reserve	Retained profits/ (Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2003	299,318	96,069	1,934,955	32	8,108	25,709	2,364,191
Exchange difference	–	–	–	–	(455)	–	(455)
Loss for the period attributable to shareholders	–	–	–	–	–	(8,825)	(8,825)
At 30 September 2003	299,318	96,069	1,934,955	32	7,653	16,884	2,354,911
At 1 April 2002	2,993,180	96,069	12,465	19,467	(222)	(765,456)	2,355,503
Movement arising from reduction of nominal value of shares	(2,693,862)	–	1,921,847	–	–	772,015	–
Exchange difference	–	–	–	–	14	–	14
Loss for the period attributable to shareholders	–	–	–	–	–	(24,860)	(24,860)
At 30 September 2002	299,318	96,069	1,934,312	19,467	(208)	(18,301)	2,330,657

Notes to Condensed Consolidated Interim Financial Statements

30 September 2003

1. Principal Accounting Policies

The unaudited condensed consolidated interim financial statements are prepared in compliance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation used in the preparation of the interim condensed financial statements are the same as those used in the audited financial statements for the year ended 31 March 2003, except for the adoption of SSAP 12 (Revised) "Income Taxes".

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax is provided using the income statement liability method on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

The adoption of the above SSAP has no material effect on the condensed financial statements of the Group for the current and prior period.

2. Segment Information

The Group is principally engaged in the design, manufacturing and marketing of consumer electronic products; provision of electronic manufacturing services; and property investment and development.

An analysis of the Group's turnover and contribution to profit/(loss) from operations for the period ended 30 September 2003 by business and geographical segments of operations is as follows:

	Turnover Six months ended 30 September		Profit/(Loss) from operations Six months ended 30 September	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Business segments:				
Consumer packaged electronics	1,379	14,307	(1,368)	(27,472)
Telecommunication products	–	–	(3)	(4)
Electronic manufacturing services	6,344	19,853	(1,596)	(682)
Property development	–	–	4,564	(10,509)
	7,723	34,160	1,597	(38,667)
Other income			4,577	6
Gain on disposal of a property development project			–	20,000
Gain on disposal of a jointly-controlled entity			–	3,492
Profit/(Loss) from operations			6,174	(15,169)
Finance costs			(14,623)	(9,664)
Share of results in an associated company			(376)	–
Loss before taxation			(8,825)	(24,833)
Taxation			–	(27)
Loss before minority interests			(8,825)	(24,860)
Minority interests			–	–
Loss attributable to shareholders			(8,825)	(24,860)
Geographical segments:				
Europe	601	2,200	(596)	(4,225)
United States of America/Canada	–	8,940	–	(17,166)
Asia	7,122	23,020	2,193	(17,276)
	7,723	34,160	1,597	(38,667)

3. Profit/(Loss) From Operations

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

	For the six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
Depreciation for property, plant and equipment	2,772	6,520
Amortisation and write-off of product development costs	–	916
Amortisation of goodwill	–	93
Provision of stock obsolescence	18	542
Provision for bad and doubtful debts	–	138
Gain on disposal of fixed assets	(2,609)	(231)
Operating leases in respect of land and building	–	325
Negative goodwill released	(7,044)	(7,044)
Provision for impairment in value of land held for development	–	12,887
Provision for impairment in goodwill	–	3,553

4. Taxation

Taxation in the condensed consolidated profit and loss account represents:

	For the six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
Overseas tax	–	27

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2002: Nil).

Overseas tax has been provided on the assessable profits of the overseas subsidiaries in accordance with tax laws of the countries in which these subsidiaries operate.

5. Loss Per Share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of HK$8,825,000 (2002: HK$24,860,000) and the weighted average number of 29,931,804,183 (2002: 29,931,804,183) ordinary shares in issue during the period.

The Group has no potential ordinary shares outstanding at 30 September 2003 and 30 September 2002 and diluted earnings per share is not presented.

6. Trade and Bills Receivables

A defined credit policy is maintained within the Group. The age analysis of trade debtors as at 30 September 2003 was as follows:

	30 September 2003 *HK$'000*	**31 March 2003** *HK$'000*
Trade receivable, analysed according to aging:		
0 – 90 days	1,883	52,783
91 – 180 days	187	1,033
181 – 270 days	53,299	3,246
271 – 360 days	1,417	1,341
Over 360 days	17,399	12,758
Less: Provisions	(17,488)	(17,488)
	56,697	53,673

7. Trade and Bills Payables

The age analysis of trade creditors as at 30 September 2003 was as follows:

	30 September 2003 *HK$'000*	**31 March 2003** *HK$'000*
Trade payables, analysed according to aging :		
0 – 90 days	2,336	1,270
91 – 180 days	111	774
181 – 270 days	8	26
271 – 360 days	122	73
Over 360 days	3,809	2,846
	6,386	4,989

8. Bank Loans and Overdrafts (Secured)

	30 September 2003 *HK$'000*	**31 March 2003** *HK$'000*
Bank overdrafts	272	272
Restructure loan	109,801	109,801
Bank loans	412,043	412,043
	522,116	522,116
Less: Current portion due within one year included under current liabilities	(101,371)	(62,504)
Non current portion included under non-current liabilities	420,745	459,612

9. Share Capital

	Number of shares of HK$0.01 each	*HK$'000*
Authorised:		
At 1 April 2003 and 30 September 2003	500,000,000,000	5,000,000
Issued and fully paid:		
At 1 April 2003 and 30 September 2003	29,931,804,183	299,318

10. Commitments

Capital commitments for property, plant and equipment and land held for development:

	30 September 2003 *HK$'000*	31 March 2003 *HK$'000*
Contracted, but not provided for	9,509	22,355

11. Contingent Liabilities

	30 September 2003 *HK$'000*	31 March 2003 *HK$'000*
Guarantees given in connection with credit facilities granted to a third party	33,962	37,037

12. Related Party Transactions

There is no material and significant related party transaction for the period.

13. Litigations

There have been no material changes and developments in respect of pending litigation cases of the Group since the disclosures in the Group's annual audited financial statements for the year ended 31 March 2003.

PART C. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Summary of Auditors' Report for Years Ended 31 March 2003, 2002 and 2001

I. Year ended 31 March 2003

The following is the text of the auditors report on the financial statements of the Company for the year ended 31 March 2003 extracted from the Company's 2003 annual report. References to page numbers are to the page numbers of such financial statements presented in the Company's 2003 annual report.

Certified Public Accountants
Member of
Grant Thornton International

Grant Thornton
均富會計師行

To the members of South Sea Holding Company Limited
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 18 to 65 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS OF THE FINANCIAL STATEMENTS

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the adoption of the going concern basis for the preparation of the financial statements. As set out in note 2 to the financial statements, the financial statements have been prepared on a going concern basis, the validity of which is dependent on the continuing financial support from the Group's bankers and a creditor. The financial statements do not include any adjustments that would result from a failure of the Group to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. We consider that appropriate disclosures relating to this fundamental uncertainty have been made and our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants

Hong Kong, 30 July 2003

II. Year ended 31 March 2002

The following is the text of the auditors report on the financial statements of the Company for the year ended 31 March 2002 extracted from the Company's 2002 annual report. References to page numbers are to the page numbers of such financial statements presented in the Company's 2002 annual report.

Certified Public Accountants
Hong Kong Member Firm of
Grant Thornton International

Grant Thornton
均富會計師行

To the members of South Sea Holding Company Limited
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 18 to 78 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS OF THE FINANCIAL STATEMENTS

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the adoption of the going concern basis for the preparation of the financial statements. As set out in note 2 to the financial statements, the financial statements have been prepared on a going concern basis, the validity of which is dependent on the continuing financial support from the Group's bankers. The financial statements do not include any adjustments that would result from a failure of the Group to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any future liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. We consider that appropriate disclosures relating to this fundamental uncertainty have been made and our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2002 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
Hong Kong

26 July 2002

III. Period ended 31 March 2001

The following is the text of the auditors report on the financial statements of the Company for the period ended 31 March 2001 extracted from the Company's 2001 annual report. References to page numbers are to the page numbers of such financial statements presented in the Company's 2001 annual report.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

Auditors' report to the shareholders of
South Sea Holding Company Limited
(formerly known as Learning Concepts Holdings Limited,
Savoy Concepts Limited and Team Concepts Holdings Limited)
(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 22 to 70 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTY

In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the adoption of the going concern basis for the preparation of the accounts. As detailed in note 1 to the accounts, the accounts have been prepared on a going concern basis, the validity of which is dependent upon a number of factors, in particular, the capitalisation of certain unsecured debts and the extension of the repayment period of certain bank loans and overdrafts. The accounts do not include any adjustments that would result from a failure of the Group to operate as a going concern. Should the going concern basis not be valid, adjustments would have to be made to reduce the value of all assets of the Group to their recoverable amounts, to provide for any further liabilities for the Group which might arise and to reclassify the non-current assets of the Group as current assets and the long-term liabilities as current liabilities. We consider that the fundamental uncertainty has been properly accounted for and disclosed in the accounts and our opinion is not qualified in this respect.

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st March 2001 and of the loss and cash flows of the Group for the period from 1st January 2000 to 31st March 2001 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27th August 2001

PART D. SUMMARY OF AUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNTS

The following is a summary of the audited consolidated profit and loss accounts of the Company for the years ended 31 March 2003, 2002 and 2001 extracted from the annual reports of the Company for the relevant periods.

	Year ended 31 March		**Fifteen months ended 31 March**
	2003	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	100,576	215,338	675,396
Profit/(loss) before taxation	230	52,300	(630,008)
Taxation	(40)	(148)	(453)
Profit/(loss) before minority interests	190	52,152	(630,461)
Minority interests	–	–	2,000
Net profit/(loss) attributable to shareholders	190	52,152	(628,461)
Dividends	0	0	0
	HK cents	*HK cents*	*HK cents*
Earning/(loss) per share			
– basic	0.0006	0.23	(18.41)

Consolidated Profit and Loss Account
For the year ended 31 March 2003

The following is the audited consolidated profit and loss accounts of the Company for the year ended 31 March 2003 and 2002 extracted from the annual report of the Company for year ended 31 March 2003.

	Notes	**2003** *HK$'000*	**2002** *HK$'000*
Turnover	*4(a)*	100,576	215,338
Cost of sales		(76,008)	(199,951)
Gross profit		24,568	15,387
Other revenue	*4(b)*	16,926	16,997
Gain on deemed partial disposal of a subsidiary	*6(b)*	–	20,000
Gain on disposal of subsidiaries		9,736	–
Gain on disposal of a joint venture	*16*	3,403	–
Gain on disposal of a property development project	*13*	20,000	–
Engineering expenses		(4,197)	(10,607)
Administrative expenses		(35,407)	(37,197)
Other operating expenses		(11,478)	(24,352)
Profit/(Loss) from operations	*6(a)*	23,551	(19,772)
Finance costs	*6(c)*	(22,947)	(17,304)
Liabilities waived by unsecured creditors	*6(d)*	–	89,779
Share of loss of an associate		(374)	(403)
Profit before taxation		230	52,300
Taxation	*8*	(40)	(148)
Profit after taxation		190	52,152
Minority interests		–	–
Profit attributable to shareholders	*9, 31*	190	52,152
		HK cent	*HK cent*
Basic earnings per share	*10*	0.0006	0.23

Consolidated Balance Sheet
As at 31 March 2003

The following is the audited consolidated balance sheets of the Company as at 31 March 2003 and 2002 respectively together with the relevant notes as extracted from the annual report of the Company for year ended 31 March 2003.

	Notes	2003 HK$'000	2002 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	55,347	94,183
Land held for development	*12*	3,333,012	3,264,754
Interest in a property development project	*13*	–	80,000
Interest in an associate	*15*	209,223	209,597
Interest in a joint venture	*16*	–	–
Deposit for acquisition of investments	*17*	100,000	–
Product development costs	*18*	176	8,769
Goodwill	*19(a)*	–	3,646
Negative goodwill	*19(b)*	(257,113)	(271,201)
		3,440,645	3,389,748
Current assets			
Inventories	*20*	3,223	26,305
Trade and bills receivables	*21*	53,673	11,933
Amount due from a joint venture	*16*	–	89
Amount due from a fellow subsidiary	*24*	–	54,862
Other receivables and deposits		158,357	31,246
Cash at banks and in hand	*29*	8,822	228,623
		224,075	353,058
Current liabilities			
Amount due to ultimate holding company	*23*	40,043	32,855
Amounts due to fellow subsidiaries	*24*	96,376	60,240
Trade and bills payables	*22*	4,989	10,231
Land premium payables	*12*	163,606	160,576
Other payables and accruals	*27*	443,555	174,524
Provision for tax		164	164
Bank loans and overdrafts (secured)	*25*	62,504	211,621
Convertible notes/debentures	*26*	–	210,000
Finance leases	*28*	195	440
		811,432	860,651
Net current liabilities		(587,357)	(507,593)
Total assets less current liabilities		2,853,288	2,882,155

	Notes	2003 HK$'000	2002 HK$'000
Non-current liabilities			
Bank loans (secured)	25	459,612	497,666
Finance leases	28	–	33
Deposit received	12	28,695	28,163
Deferred taxation	32	790	790
		489,097	526,652
Minority interests		–	–
Net assets		2,364,191	2,355,503
CAPITAL AND RESERVES			
Share capital	30	299,318	2,993,180
Reserves	31	2,064,873	(637,677)
Shareholders' funds		2,364,191	2,355,503

Yu Pun Hoi
Director

Zhang Hong Ren
Director

Balance Sheet
As at 31 March 2003

	Notes	2003 HK$'000	2002 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	14	2,649,876	2,644,578
Current assets			
Other receivables and deposits		15,483	377
Cash at banks and in hand		6	3,081
		15,489	3,458
Current liabilities			
Amount due to ultimate holding company	23	51,264	32,855
Amount due to a fellow subsidiary	24	24,018	24,018
Other payables and accruals	27	226,044	7,949
Bank loans (secured)	25	–	2,800
Convertible notes	26	–	210,000
		301,326	277,622
Net current liabilities		(285,837)	(274,164)
Total assets less current liabilities		2,364,039	2,370,414
CAPITAL AND RESERVES			
Share capital	30	299,318	2,993,180
Reserves	31	2,064,721	(622,766)
Shareholders' funds		2,364,039	2,370,414

Yu Pun Hoi	**Zhang Hong Ren**
Director	*Director*

Consolidated Cash Flow Statement
For the year ended 31 March 2003

	Notes	2003 HK$'000	2002 HK$'000
Cash flows from operating activities			
Profit before taxation		230	52,300
Adjustments for:			
Interest income		(2,770)	(316)
Interest expenses		22,947	17,304
Depreciation on property, plant and equipment		12,899	16,621
Loss on disposal of property, plant and equipment		12,916	6,155
Gain on disposal of an associate		–	(115)
Gain on deemed partial disposal of a subsidiary		–	(20,000)
Liabilities waived by unsecured creditors		–	(89,779)
Gain on waiver of amount due to a creditor		–	(4,989)
Exchange gain		–	(274)
Amortisation and write-off of product development costs		3	6,044
Amortisation of goodwill		93	78
Negative goodwill recognised as income		(14,088)	(10,566)
Share of loss of an associate		374	403
Impairment losses on land and buildings		699	–
Gain on disposal of a joint venture		(3,403)	–
Gain on disposal of a property development project		(20,000)	–
Gain on disposal of subsidiaries		(9,736)	–
Operating profit/(loss) before working capital changes		164	(27,134)
Decrease in amount due from a joint venture		–	5,189
Decrease in inventories		21,329	12,787
Decrease/(Increase) in amount due from a fellow subsidiary		54,862	(54,862)
(Increase)/Decrease in trade and bills receivables, other receivables and deposits		(30,567)	6,807
Increase/(Decrease) in trade and bills payables, other payables and amounts due to fellow subsidiaries and ultimate holding company		100,174	(21,774)
Cash generated from/(used in) operations		145,962	(78,987)
Interest received		2,770	316
Interest paid		(79,624)	(29,461)
Overseas income tax paid		(40)	(133)
Net cash generated from/(used in) operating activities		69,068	(108,265)

	Notes	2003 HK$'000	2002 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,781)	(8,123)
Payment for land held for development		(10,194)	(51,134)
Payment for product development costs		(120)	(6,087)
Proceeds from disposal of property, plant and equipment		7,077	4,887
Proceeds from disposal of an associate		–	443
Acquisition of subsidiaries	*33(a)*	–	501
Disposal of a subsidiary	*33(b)*	7,304	(142)
Additional deposit received		–	478
Proceeds from disposal of a joint venture		3,492	–
Deposit paid for acquisition of investments		(100,000)	–
Net cash used in investing activities		(94,222)	(59,177)
Cash flows from financing activities			
New bank borrowings raised		–	459,771
Contribution from a minority shareholder of a subsidiary		–	20,000
Repayment of bank loans and borrowings		(194,369)	(4,673)
Capital element of finance lease payments		(278)	(656)
Net cash (used in)/generated from financing activities		(194,647)	474,442
(Decrease)/Increase in cash and cash equivalents		(219,801)	307,000
Cash and cash equivalents at 1 April		228,351	(78,649)
Cash and cash equivalents at 31 March		8,550	228,351
Analysis of the balances of cash and cash equivalents			
Cash at banks and in hand		8,822	228,623
Bank overdrafts		(272)	(272)
		8,550	228,351

Consolidated Statement of Changes in Equity
For the year ended 31 March 2003

	2003 HK$'000	2002 HK$'000
Opening balance – Total equity	2,355,503	2,303,625
Exchange differences arising on translation of the financial statements of foreign subsidiaries	8,511	(274)
Reserves released upon disposal of subsidiaries	462	–
Impairment losses on land and buildings directly dealt with in property revaluation reserve	(475)	–
Net gains and losses not recognised in the income statement	2,364,001	2,303,351
Profit attributable to shareholders	190	52,152
Closing balance – Total equity	2,364,191	2,355,503

Notes to the Financial Statements

For the year ended 31 March 2003

1. GENERAL INFORMATION

The Company is incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in design, marketing, manufacture and trading of consumer electronic products, provision of sub-contracting services, property investment and development. Details of the principal activities of the Company's subsidiaries are set out in note 14 to the financial statements.

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

2. BASIS OF PREPARATION

As at 31 March 2003, the Group had net current liabilities of HK$587,357,000. Notwithstanding this, the financial statements have been prepared on a going concern basis on the assumption that the Group will continue to operate as a going concern. In the opinion of the directors, the Group will have sufficient working capital to continue its operations in the coming year, after taking into consideration the following:

The Group is currently negotiating with its bankers and a creditor to extend and re-schedule the repayment terms of certain bank loans and borrowing which either have been overdue for payment at the balance sheet date or would be due for repayment in the coming year. The Group is also in the course of discussion with some of its bankers to apply for additional credit facilities. The directors anticipate that the Group will be able to maintain the existing credit facilities and also obtain additional credit facilities from its bankers.

The directors believe that the Group's bankers and creditor will continue to support the Group and are of the opinion that, in the light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the financial statements have been prepared on a going concern basis.

Should the Group be unable to generate sufficient cash flows and/or secure the support of its bankers and creditor, the Group might not be able to continue in business as a going concern. Accordingly, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements on pages 18 to 65 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

(a) Adoption of new/revised SSAPs

In the current year, the Group has adopted, for the first time, the following revised or new SSAPs.

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

Adoption of these revised or new SSAPs has led to a number of changes in the Group's accounting policies. In addition, the revised or new SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. The adoption of these revised or new SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current and prior years.

SSAP 1 (Revised) – Presentation of financial statements

In adopting SSAP 1 (Revised), the Group is required to present a statement of changes in equity instead of a statement of recognised gains and losses. Comparative amounts have been restated to achieve a consistent presentation.

SSAP 11 (Revised) – Foreign currency translation

SSAP 11 is revised to eliminate the option to translate the income statement of a foreign enterprise at the closing rate when preparing consolidated financial statements. The income statement of a foreign enterprise is now required to be translated at the average rate for the period. Although this is a change in accounting policy, the translation of the income statements of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the results of the Group for the current or prior year.

SSAP 15 (Revised) – Cash flow statements

In adopting SSAP 15 (Revised), the Group requires a cash flow statement to report cash flows during the period classified by operating, investing and financing activities only. For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand, demand deposits, short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Comparative amounts have been restated to achieve a consistent presentation.

SSAP 33 – Discontinuing operations

SSAP 33 prescribes the basis for reporting information about discontinuing operations and has resulted in certain additional disclosures, which are included in note 7 to the financial statements.

SSAP 34 – Employee benefits

Employee entitlements

In adopting SSAP 34, employee entitlements to annual leave and long service payment are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

The adoption of SSAP 34 has not had any material impact on the financial statements and no prior year adjustment is required.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year. All material intercompany transactions and balances within the Group are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or negative goodwill which was not previously charged or recognised in the consolidated income statement.

The financial statements also include the Group's share of post-acquisition results and reserves of its associates and jointly controlled entities.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Subsidiaries

Subsidiaries are those enterprises controlled by the Company.

Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

In the Company's balance sheet, subsidiaries are carried at cost less impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

(d) Associates

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

The results of the associates are accounted for by the Group using the equity method of accounting. The Group's interests in associates are stated at its share of net assets of the associates. The Company's investments in associates are stated at cost less impairment losses. The results of associates are accounted for by the Company on the basis of dividends received or receivable at the balance sheet date.

An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates except where unrealised losses provide evidence of an impairment of the asset transferred.

(e) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's interest in jointly controlled entities is recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

(f) Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired.

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 for a period of not exceeding twenty years.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and the relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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

Negative goodwill

Negative goodwill arising on acquisition represents the excess of the fair value of the identifiable assets and liabilities acquired over the cost of acquisition.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair value of the non-monetary assets acquired, is recognised as income on a systematic basis over the remaining weighted average useful life of those acquired depreciable/amortisable assets. Negative goodwill in excess of the fair value of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

(g) Property, plant and equipment

(i) Depreciation and amortisation

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Moulds and tools	25%–33%
Machinery and equipment	25%–33%
Furniture and fixtures	20%–33%
Motor vehicles	25%–33%
Computers	25%–33%
Buildings	Over the shorter of the terms of the leases or estimated useful lives. The principal annual rates used for this purpose range from 1.7% to 4%.
Leasehold improvements	Over the shorter of the terms of the leases or estimated useful lives. The principal annual rates used for this purpose range from 1.7% to 4%.

Leasehold land is amortised over the remaining unexpired periods of the leases, including the renewal periods or their estimated useful lives to the Group, whichever are shorter. The principal annual rate used for this purpose is 2.5%.

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

(ii) Measurement bases

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

Advantage has been taken of the transitional relief provided by SSAP 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 19 March 1993, and accordingly no further revaluation of these land and buildings is carried out. Prior to 19 March 1993, the surplus arising on the revaluation of these assets was credited to the property revaluation reserve.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement. Any revaluation surplus relating to the assets under disposal is transferred to retained profits/accumulated losses.

(h) Leases

(i) Finance leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets to the lessee. Assets acquired by way of finance leases are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the leases. The corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Finance charges implicit in the lease payments are charged to the income statement over the periods of the leases so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(i) Land held for development

Land held for development is stated at cost less impairment losses. No depreciation and amortisation is provided on land held for development. Cost includes acquisition costs, development costs, borrowing costs capitalised in accordance with the Group's accounting policies and other direct costs attributable to the development.

(j) Property development projects

Interests in property development projects are stated at cost, which comprises development costs contributed towards the projects and other incidental costs, less impairment losses, if any. The results of the projects are recognised in the financial statements to the extent of distributions received.

(k) Product development costs

Costs incurred on projects in developing new products, including the respective cost of acquiring the rights to technical know-how for the production of the relevant new products, are capitalised and deferred only when the project is clearly defined, the costs are separately identifiable and there is reasonable certainty that the project is technically feasible and the outcome will be of commercial value. Product development costs which do not meet these criteria are expensed when incurred.

Product development costs are amortised, using the straight line method, over their estimated commercial lives of not more than three years commencing in the year when the product is put into commercial use. When the circumstances which have justified the deferral of the costs no longer apply, or are considered doubtful, the costs, to the extent to which they are considered to be irrecoverable, will be written off immediately to the income statement.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials computed using the weighted average method and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the actual or estimated selling price less all further costs of production and the estimated costs necessary to make the sale.

(m) Deferred tax/Future tax benefits

Deferred tax is provided, using the liability method, on all significant timing differences, other than those which are not expected to crystallise in the foreseeable future.

Future tax benefit is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

(n) Convertible notes

Convertible notes are stated at the aggregate amount of proceeds received from the issue. The direct issuing costs are taken to the income statement in the year of issue. In the event that the notes are converted, the amount recognised in respect of the shares issued upon conversion is the principal amount at which the liability of the notes is stated as at the date of conversion.

(o) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the relevant asset is carried at revalued amount under another SSAP, in which case the impairment losses is treated as a revaluation decrease under that SSAP.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed unless 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.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at that date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the balance sheets of subsidiaries, associates and jointly controlled entities expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date and their income statements are translated at the average rates for the year. Gains and losses arising on exchange are dealt with as movement in exchange reserve.

(q) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(r) Borrowing costs

Borrowing costs are charged to the income statement in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition and development of properties or land which necessarily take a substantial period of time to complete.

(s) Cash and cash equivalents

Cash comprises cash on hand and demand deposits repayable on demand with any bank or other financial institution. Cash includes deposits denominated in foreign currencies.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(t) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segment be presented as the primary reporting format and geographical segment as the secondary reporting format.

(u) 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.

(v) Recognition of revenue

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Sub-contracting income is recognised when the agreed services are provided.

Interest income is recognised on a time proportion basis.

4. TURNOVER AND OTHER REVENUE

		2003	2002
		HK$'000	*HK$'000*
(a)	**Turnover:**		
	Continuing operations		
	– Sale of goods	64,032	147,104
	– Sub-contracting income	36,544	64,648
	Discontinued operations		
	– Sale of goods	–	3,586
		100,576	215,338
(b)	**Other revenue:**		
	Interest income	2,770	316
	Exchange gain	68	1,011
	Negative goodwill recognised as income	14,088	10,566
	Gain on waiver of amount due to a creditor	–	4,989
	Gain on disposal of an associate	–	115
		16,926	16,997
	Total revenue	117,502	232,335

5. SEGMENT INFORMATION

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

In accordance with the Group's internal financial reporting policy, its segment information is presented by way of two segments format: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

Summary of details of the business segments are as follows:

(a) Consumer packaged electronics

(b) Electronic manufacturing services

(c) Property development

(d) The corporate and other segment comprises operations other than those as specified above

(e) Telecommunication products

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

There were no intersegment sales and transfers between segments.

5(a). BUSINESS SEGMENTS

The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 March 2003.

	Continuing operations								Discontinued operations			
	Consumer packaged electronics		Electronic manufacturing services		Property development		Others		Telecommunication products		Total	
	2003	**2002**	**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*	*HK$'000*	*HK$'000*
Segment revenue												
Sales to external customers	64,032	147,104	36,544	64,648	–	–	–	–	–	3,586	100,576	215,338
Segment results	(15,618)	(40,497)	(5,248)	(2,271)	8,990	4,580	(482)	–	–	(7,004)	(12,358)	(45,192)
Interest income											2,770	316
Gain on waiver of amount due to a creditor								4,989			–	4,989
Gain on disposal of an associate								115			–	115
Gain on deemed partial disposal of a subsidiary		13,663		6,004						333	–	20,000
Liabilities waived by unsecured creditors		81,350								8,429	–	89,779
Finance costs											(22,947)	(17,304)
Gain on disposal of a property development project					20,000						20,000	–
Gain on disposal of subsidiaries	26,261										26,261	–
Gain on disposal of a joint venture	3,403										3,403	–
Loss on disposal of a subsidiary					(16,525)						(16,525)	–
Share of loss of an associate					(374)	(403)					(374)	(403)
Profit before taxation											230	52,300
Taxation											(40)	(148)
Profit after taxation											190	52,152
Minority interests											–	–
Profit attributable to shareholders											190	52,152

	Continuing operations								Discontinued operations			
	Consumer packaged electronics		Electronic manufacturing services		Property development		Others		Telecommunication products		Total	
	2003	2002	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*	*HK$'000*	*HK$'000*
Segment assets	37,817	42,667	113,374	90,955	3,301,369	3,372,157	2,558	27,046	379	384	3,455,497	3,533,209
Interest in an associate	–	–	–	–	209,223	209,597	–	–	–	–	209,223	209,597
Total assets	37,817	42,667	113,374	90,955	3,510,592	3,581,754	2,558	27,046	379	384	3,664,720	3,742,806
Segment liabilities	12,484	20,556	8,693	13,359	646,247	358,212	108,904	73,804	2,357	2,357	778,685	468,288
Loan liabilities	–	–	–	–	–	–	–	–	–	–	521,844	919,015
Total liabilities	12,484	20,556	8,693	13,359	646,247	358,212	108,904	73,804	2,357	2,357	1,300,529	1,387,303
Other segment information												
Capital expenditure	1,807	13,269	26	928	63,619	353,304	–	–	–	–	65,452	367,501
Depreciation	6,515	8,112	5,009	6,705	24	6	1,351	1,623	–	175	12,899	16,621
Amortization of product development costs	3	5,127	–	–	–	–	–	–	–	–	3	5,127
Amortization of goodwill	–	–	–	–	93	78	–	–	–	–	93	78
Negative goodwill recognised as income	–	–	–	–	14,088	10,566	–	–	–	–	14,088	10,566

5(b). GEOGRAPHICAL SEGMENTS

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

	Europe		United States of America/Canada		Asia		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue								
Sales to external customers	3,104	31,261	12,922	77,954	84,550	106,123	100,576	215,338
Segment results	(430)	(14,471)	(14,454)	(21,240)	2,526	(9,481)	(12,358)	(45,192)

	United Kingdom/ North America/ Europe		Hong Kong		People's Republic of China ("PRC"), other than Hong Kong		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	5,011	10,966	35,743	59,131	3,623,966	3,672,709	3,664,720	3,742,806
Other segment information								
Capital expenditure	70	252	1,737	13,019	63,645	354,230	65,452	367,501

6(a). PROFIT/(LOSS) FROM OPERATIONS

	2003	2002
	HK$'000	*HK$'000*
Profit/(Loss) from operations is arrived after charging:		
Amortisation of product development costs	3	5,127
Write-off of product development costs	–	917
Amortisation of goodwill	93	78
Auditors' remuneration	1,205	2,170
Cost of inventories recognised as expense	44,253	137,848
Cost of services provided	31,755	62,103
Depreciation on		
– owned property, plant and equipment	12,838	15,975
– leased property, plant and equipment	61	646
Impairment losses on land and buildings	699	–
Loss on disposal of property, plant and equipment	12,916	6,155
Operating lease charges on land and buildings	613	2,229
Provision for bad and doubtful debts	4,868	12,881
Redundancy cost	554	782
Staff costs (including directors' remuneration)	13,720	25,793

6(b). GAIN ON DEEMED PARTIAL DISPOSAL OF A SUBSIDIARY

Pursuant to a share placement agreement dated 31 July 2001, 20,000,000 shares of HK$1.00 each in Team Industrial Company Limited ("TIC"), a then wholly-owned subsidiary of the Company, were allotted and issued to Pacific Gloria Limited, an independent third party, at a cash consideration of HK$20,000,000. The shares issued represented 35% of the enlarged share capital and rank pari passu with the then existing shares of TIC. This transaction resulted in a gain on deemed partial disposal of a subsidiary of HK$20,000,000 in the previous year.

6(c). FINANCE COSTS

	2003	2002
	HK$'000	*HK$'000*
Interest on convertible notes	4,378	6,125
Interest on bank loans and overdrafts	64,646	23,188
Interest on finance leases	84	148
Interest on other payables	10,516	–
Total interest	79,624	29,461
Less: Amount directly attributable to land held for development capitalised	(56,677)	(12,157)
	22,947	17,304

6(d). LIABILITIES WAIVED BY UNSECURED CREDITORS

During the year ended 31 March 2002, the Group entered into a Scheme of Arrangement with the unsecured creditors of Team Concepts Manufacturing Limited ("TCM"), a then wholly-owned subsidiary of the Company, pursuant to which the Group's liabilities due to these unsecured creditors were discharged by the following:

– payment of cash totalling HK$116,000;

– issue by the Company of 106,531,974 shares of HK$0.10 each in the Company, credited as fully paid at par; and

– issue by the Company of convertible debentures of an aggregate amount of HK$10,653,000 in value.

The Scheme of Arrangement, details of which are set out in a circular issued by TCM dated 13 June 2001 and an announcement issued by the Company dated 5 October 2001, resulted in a total gain of approximately HK$89,779,000 in the previous year.

7. DISCONTINUED OPERATIONS

With effect from September 2001, the Group ceased its operations of manufacture and trading of telecommunication products.

The results from the operations of the telecommunication products included in the consolidated income statement are as follows:

	2003	2002
	HK$'000	*HK$'000*
Turnover	–	3,586
Cost of sales	–	(6,727)
Gross profit	–	(3,141)
Other revenue	–	1,761
Engineering expenses	–	(156)
Administrative expenses	–	(4,972)
Other operating expenses	–	(409)
Loss from operations	–	(6,917)
Gain on deemed partial disposal of a subsidiary	–	333
Liabilities waived by unsecured creditor	–	8,429
Finance costs	–	(613)
Profit before taxation	–	1,232
Taxation	–	(10)
Profit for the year	–	1,222

The net cash flows attributable to the business of telecommunication products included in the consolidated cash flow statement are as follows:

	2003	2002
	HK$'000	*HK$'000*
Operating activities	5	8,111
Investing activities	–	–
Financing activities	–	–
Net cash inflows	5	8,111

8. TAXATION

	2003	2002
	HK$'000	*HK$'000*
Overseas income tax	40	148

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

Overseas income tax is provided in accordance with the legislation and tax rates prevailing in the respective overseas countries.

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit attributable to shareholders, a loss of HK$6,375,000 (2002: HK$48,874,000) is dealt with in the financial statements of the Company.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the year of HK$190,000 (2002: HK$52,152,000) and on the weighted average of 29,931,804,183 (2002: 23,107,221,372) ordinary shares in issue during the year.

As the impact of exercise of the convertible notes is anti-dilutive, diluted earnings per share for both the years ended 31 March 2003 and 31 March 2002 are not presented.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Moulds and tools HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
Cost or valuation								
At 1 April 2002	87,250	14,994	48,418	56,255	7,509	3,049	13,221	230,696
Additions	–	14	1,617	87	–	60	3	1,781
Disposals	(22,823)	(7,602)	(46,049)	(2,906)	(2,053)	–	(4,313)	(85,746)
Disposal of subsidiaries	–	(764)	–	(1,560)	(635)	–	(18)	(2,977)
At 31 March 2003	64,427	6,642	3,986	51,876	4,821	3,109	8,893	143,754
Accumulated depreciation and impairment losses								
At 1 April 2002	16,595	13,838	35,373	48,015	7,349	2,789	12,554	136,513
Depreciation charge for the year	1,839	498	5,963	4,176	64	32	327	12,899
Impairment losses								
– Charged to the income statement	699	–	–	–	–	–	–	699
– Dealt with in the property revaluation reserve	475	–	–	–	–	–	–	475
Disposals	(4,480)	(7,524)	(38,270)	(2,898)	(2,043)	–	(4,248)	(59,463)
Disposal of subsidiaries	–	(764)	–	(1,338)	(612)	–	(2)	(2,716)
At 31 March 2003	15,128	6,048	3,066	47,955	4,758	2,821	8,631	88,407
Net book value								
At 31 March 2003	49,299	594	920	3,921	63	288	262	55,347
At 31 March 2002	70,655	1,156	13,045	8,240	160	260	667	94,183
The analysis of the cost or valuation of the above assets is as follows:								
At cost	61,602	6,642	3,986	51,876	4,821	3,109	8,893	140,929
At professional valuation	2,825	–	–	–	–	–	–	2,825
At 31 March 2003	64,427	6,642	3,986	51,876	4,821	3,109	8,893	143,754

(a) Land and buildings stated at professional valuation were valued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 19 March 1993.

The cost or valuation of the Group's land and buildings comprises the following:

	Hong Kong HK$'000	Outside Hong Kong HK$'000	Total HK$'000
Medium term lease (less than 50 years but not less than 10 years)			
At cost	–	61,602	61,602
At 1993 professional valuation	2,825	–	2,825
	2,825	61,602	64,427

(b) The net book value of property, plant and equipment held under finance leases included in the total amount of HK$55,347,000 as at 31 March 2003 amounted to HK$182,000 (2002: HK$888,000).

(c) The net book value of property, plant and equipment pledged as security for the Group's bank loans and banking facilities amounted to HK$54,959,000 (2002: HK$93,492,000)

12. LAND HELD FOR DEVELOPMENT

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
At cost	3,333,012	3,264,754
Interest capitalised in land held for development	192,440	135,763

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

Particulars of the land held for development are as follows:

Location	**Approximate site area** *(square metres)*	**Type of development**
Liu Wan, Shekou, Shenzhen, the PRC (Lot No.K708-5, K708-2 and K708-3)	313,074	Shopping arcade/ residential/hotel/ recreational facilities

The land was a vacant site as at 31 March 2003.

Pursuant to the Real Property Ownership Certificate, the land use rights of the land site Lot No. K708-5 with an area of approximately 220,691 square metres for a term of 70 years from 1 January 1996 to 1 January 2066 was vested in Shenzhen Liu Wan Industry Development Co., Ltd. ("Shenzhen Liu Wan"), a subsidiary of the Company.

The Land Use Rights Certificate of the land site Lot No. K708-2 and K708-3 with an aggregate area of approximately 81,488 square metres will be granted upon full settlement of the land premium payables amounting to HK$163,606,000 as at 31 March 2003 (2002: HK$160,576,000).

In the prior year, Shenzhen Liu Wan and a third party entered into a co-operative agreement to develop the residential project in Liu Wan. Upon completion of the project, the third party will be entitled to 40% profit on the project. At 31 March 2003, the total deposit received from the third party for the project amounted to HK$28,695,000 (2002: HK$28,163,000) which is included under non-current liabilities in the consolidated balance sheet.

13. INTEREST IN A PROPERTY DEVELOPMENT PROJECT

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
At cost	–	80,000

During the year, the Group's interest in a property development project was disposed of to a third party for a consideration of HK$100,000,000 resulting in a gain on disposal of HK$20,000,000.

14. INTEREST IN SUBSIDIARIES

	Company	
	2003	**2002**
	HK$'000	*HK$'000*
Unlisted shares, at cost	80,824	112,897
Less: Provision for impairment	(80,824)	(112,897)
	–	–
Amounts due from subsidiaries *(Note (a))*	3,129,859	3,120,215
Amounts due to subsidiaries *(Note (a))*	(4,071)	(3,777)
Less: Provision for doubtful debts	(475,912)	(471,860)
	2,649,876	2,644,578
	2,649,876	2,644,578

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

(b) Particulars of the principal subsidiaries at 31 March 2003 are as follows:

Name	Country/Place of incorporation/ establishment and operations	Nominal value of issued/registered capital	Percentage of capital held by the Company	Principal activities
Team Industrial Company Limited	Hong Kong	HK$57,143,000	65% *	Investment holding and provision of management services
Team Concepts Marketing Limited	Hong Kong	HK$500,000	65%	Design and marketing of electronic educational products
Team Concepts Technologies Limited	Hong Kong	HK$20	65%	Design and marketing of consumer electronic products
Team Concepts Manufacturing Limited	Hong Kong	HK$500,000	65%	Manufacture of consumer electronic products
Dong Guan Team Concepts Electronics Limited	PRC	HK$40,000,000 (see**below)	52%	Manufacture of consumer electronic products
Team Concepts (UK) Limited	United Kingdom	GBP100	65%	Provision of marketing services
Team Concepts Global Enterprise Limited	Hong Kong	HK$8,000	65%	Design and marketing of electronic educational products
South Sea Development (HK) Limited	Hong Kong	HK$2	100% *	Investment holding
Liu Wan Development (BVI) Company Limited	British Virgin Islands	US$215,000,000	100%	Investment holding
Liu Wan Investment Company Limited	Hong Kong	US$2	100%	Investment holding
Shenzhen Liu Wan Industry Development Co., Ltd. ("Shenzhen Liu Wan")	PRC	RMB100,000,000 (see***below)	100%	Investment holding and property investment
Top Gallant Development Limited	Hong Kong	HK$2	100%	Investment holding
Sheen Asset Limited	Hong Kong	HK$2	100%	Investment holding
Yorkwell International Limited	Hong Kong	HK$2	100%	Investment holding
Shenzhen Jin Yi Tian Industry Development Company Limited (formerly "Shenzhen Jin Yi Tian Investment Company Limited")	PRC	RMB18,000,000 (see****below)	100%	Property investment
Top First Assets Limited	British Virgin Islands	US$1	100%	Investment holding
Longwise Development Limited	Hong Kong	HK$2	100%	Investment holding

* Shares held directly by the Company

** Dong Guan Team Concepts Electronics Limited was established as a co-operative joint venture in the PRC for a term of 30 years commencing from 5 June 1992. Upon the expiry of the term of the joint venture, the land and buildings of the joint venture will be taken over by the PRC party while the remaining assets will be taken over by the Group. The Group's profit entitlement in the joint venture is 52% of the retained profits.

*** Shenzhen Liu Wan was a co-operative joint venture established for a period of 50 years up to April 2049 under a joint venture agreement dated 28 March 2000 among Shenzhen Golden Era Industry Development Co., Ltd. ("Shenzhen Golden Era"), Liu Wan Development (BVI) Company Limited ("Liu Wan (BVI)"), Liu Wan Investment Company Limited (a wholly-owned subsidiary of Liu Wan (BVI)) and a PRC party. Pursuant to the agreement, Shenzhen Golden Era injected a land site in Shenzhen into Shenzhen Liu Wan in return for a 10% entitlement of profit sharing in Shenzhen Liu Wan. According to an agreement dated 30 April 2000, the PRC party transferred all of its 5% interest including the profit-sharing and control in Shenzhen Liu Wan to Liu Wan (BVI) for a consideration of RMB321,000,000. According to an agreement dated 10 August 2000, Shenzhen Golden Era transferred all its 10% profit-sharing interest in Shenzhen Liu Wan to Liu Wan (BVI) for a consideration of HK$500,000,000. As a result of the above, Liu Wan (BVI) directly and indirectly owns the entire equity interest in Shenzhen Liu Wan.

**** Shenzhen Jin Yi Tian Industry Development Company Limited (" Shenzhen Jin Yi Tian") is a PRC enterprise established on 28 January 1997 for a period of 10 years up to 28 January 2007. Pursuant to an agreement dated 2 September 1999, Shenzhen Liu Wan and a PRC party acquired 90% and 10% respectively of the equity interest in Shenzhen Jin Yi Tian. Pursuant to an agreement dated 21 March 2001, the PRC party agreed to waive unconditionally its 10% equity interest in Shenzhen Jin Yi Tian and as a result, Shenzhen Liu Wan effectively owns 100% equity interest in Shenzhen Jin Yi Tian.

The above table lists out the subsidiaries of the Company as at 31 March 2003 which, in the opinion of the directors, principally affected the Group's 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 the directors, result in particulars of excessive length.

15. INTEREST IN AN ASSOCIATE

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Share of net assets	209,223	209,597

Particulars of the associate at 31 March 2003 are as follows:

Name	**Country of incorporation and operations**	**Nominal value of issued capital**	**Percentage of capital held by the Group**		**Principal activity**
			2003	**2002**	
Listar Properties Limited	British Virgin Islands	US$20,000,000	49%	49%	Investment holding

16. INTEREST IN A JOINT VENTURE

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Share of net assets	–	3,929
Less: Provision for impairment	–	(3,929)
	–	–
Amount due from a joint venture	–	12,672
Less: Provision for doubtful debts	–	(12,583)
	–	89

The amount due from a joint venture represented trade receivable due from Juguetes Electronicos Avanzados S.L., (a former 50% owned joint venture of the Group) which was unsecured, interest-free and repayable on demand.

During the year, the Group disposed of its interest in the joint venture to a third party for a consideration of HK$3,492,000, resulting in a gain on disposal of approximately HK$3,403,000.

17. DEPOSIT FOR ACQUISITION OF INVESTMENTS

The amount represents the deposit paid for the acquisition of 100% equity interest in Yat Tai Resources Limited ("Yat Tai"), which is an investment holding company incorporated in the British Virgin Islands. The major asset of Yat Tai is a 95% interest in a PRC joint venture which is principally engaged in property investment and development. As at 31 March 2003, the acquisition has not yet been completed subject to fulfilment of certain conditions.

18. PRODUCT DEVELOPMENT COSTS

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
At the beginning of the year	8,769	8,726
Additions	120	6,087
Amortisation	(3)	(5,127)
Disposals	(8,710)	–
Write-off	–	(917)
At the end of the year	176	8,769

19(a). GOODWILL

	Group
	HK$'000
Gross amount	
At 1 April 2002	3,724
Disposal of subsidiaries	(3,724)
At 31 March 2003	–
Accumulated amortisation	
At 1 April 2002	78
Amortisation for the year	93
Disposal of subsidiaries	(171)
At 31 March 2003	–
Carrying value	
At 31 March 2003	–
At 31 March 2002	3,646

19(b). NEGATIVE GOODWILL

	Group
	HK$'000
Gross amount	
At 1 April 2002 and at 31 March 2003	281,767
Accumulated amount recognised as income	
At 1 April 2002	10,566
Amount recognised as income for the year	14,088
At 31 March 2003	24,654
Carrying value	
At 31 March 2003	257,113
At 31 March 2002	271,201

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

20. INVENTORIES

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Raw materials	816	48,485
Work in progress	760	12,247
Finished goods	5,674	19,220
Goods in transit	1,074	12
	8,324	79,964
Less: Provision for slow-moving and obsolete inventories	(5,101)	(53,659)
	3,223	26,305

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

21. TRADE AND BILLS RECEIVABLES

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

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
0–90 days	52,783	15,323
91–180 days	1,033	4,406
181–270 days	3,246	36
271–360 days	1,341	867
Over 360 days	12,758	6,172
Less: Provision	(17,488)	(14,871)
	53,673	11,933

Majority of the Group's sales are entered into on letters of credit while the rest are entered into on credit terms ranging from 30 to 60 days. During the years ended 31 March 2003 and 31 March 2002, the Group encountered difficulties in collection of certain trade debts and appropriate provision has been made against certain bad and doubtful debts.

22. TRADE AND BILLS PAYABLES

At 31 March 2003, the ageing analysis of trade and bills payables was as follows:

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
0–90 days	1,270	990
91–180 days	774	4,560
181–270 days	26	2,457
271–360 days	73	180
Over 360 days	2,846	2,044
	4,989	10,231

23. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company is unsecured, interest-free and has no fixed repayment terms.

24. AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES

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

25. BANK LOANS AND OVERDRAFTS (SECURED)

	Group		Company	
	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts	272	272	–	–
Restructure loan *(Note (a))*	109,801	116,183	–	–
Bank loans *(Note (b))*	412,043	592,832	–	2,800
	522,116	709,287	–	2,800
Less: Current portion due within one year included under current liabilities	(62,504)	(211,621)	–	(2,800)
Non current portion included under non-current liabilities	459,612	497,666	–	–

Notes:

(a) In the prior year, the Group entered into an agreement with one of its lending banks (the "Bank"), pursuant to which the repayment period for the bank loans and overdrafts of approximately HK$116 million due to the Bank was extended. Under the agreement, the Group was allowed to consolidate all these bank loans and overdrafts into a restructure loan which should be repaid on or before 14 November 2006 while interest on these balances for the first thirty months after 1 May 2001 would be waived. Part of the restructure loan was repaid during the year following the disposal of certain land and buildings of the Group.

(b) During the year, certain post completion conditions attached to the bank loans of approximately HK$389 million granted by two bankers to Shenzhen Liu Wan have not been fulfilled. The Group and the bankers are in the course of negotiation for the bankers to waive the conditions. The directors are optimistic that the bankers will ultimately waive those conditions and will not make the loans become immediately due and repayable. On this basis, these loans continue to be shown as non-current liabilities in the consolidated balance sheet.

26. CONVERTIBLE NOTES/DEBENTURES

		Group and Company	
		2003	2002
	Notes	*HK$'000*	*HK$'000*
5% convertible notes	*(a)*	–	210,000
Non-interest bearing convertible debentures	*(b)*	–	10,653
Conversion into shares		–	(1,045)
Transfer to other payables		–	(9,608)
		–	–

(a) On 18 September 2001, the Company issued HK$210,000,000 5% convertible notes to Power Ocean Investments Limited ("Power Ocean"), an independent third party, for settlement of a loan of HK$210,000,000 under a loan agreement dated 30 August 2001. These convertible notes bore interest at 5% per annum and were originally due on 18 September 2002. The convertible note carried the right at any time commencing on the date of issue but before the due date to convert in whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. The notes have not been converted into shares and remained outstanding as at 18 September 2002. Power Ocean has agreed in writing to extend the repayment date of the amount due to 31 December 2003 (Note 27).

(b) The non-interest bearing convertible debentures were issued under the Scheme of Arrangement as described in note 5 above. These convertible debentures were non-interest bearing and due on 31 December 2001. The convertible debentures carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the debentures into ordinary shares of the Company at a conversion price of HK$0.10 per share. As at 31 December 2001, convertible debentures amounting to HK$1,045,000 were converted into 10,453,209 ordinary shares in the Company at HK$0.10 each. After 31 December 2001, the debentures which have not been converted were transferred to other payables, which were all subsequently settled.

27. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals is the amount of HK$210,000,000 payable to Power Ocean (note 26(a)), which is unsecured, bears interest at the rate of 9% per annum and repayable on 31 December 2003.

28. FINANCE LEASES

	Group 2003 HK$'000	Group 2002 HK$'000
Obligations under finance leases	195	473
Less: Current portion due within one year included under current liabilities	(195)	(440)
	–	33

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

	2003 HK$'000	2002 HK$'000
Due within one year	195	440
Due in the second to fifth years	–	33
	195	473

29. CASH AT BANKS AND IN HAND

Included in the cash at banks and in hand is approximately HK$344,000 (2002: HK$220,115,000), representing Renminbi deposits placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

30. SHARE CAPITAL

	Number of shares of HK$0.10 each	Number of shares of HK$0.01 each	HK$'000
Authorised:			
At 1 April 2001	15,000,000,000		1,500,000
Increase during the year *(Note (a))*	35,000,000,000		3,500,000
At 31 March 2002 and at 1 April 2002	50,000,000,000		5,000,000
Reduction of nominal value	(50,000,000,000)	230,613,762,353	(2,693,862)
Increase during the year *(Note (e))*	–	269,386,237,647	2,693,862
At 31 March 2003	–	500,000,000,000	5,000,000
Issued and fully paid :			
At 1 April 2001	6,630,519,000		663,052
Issue of new shares for cash *(Note (b)-(d))*	23,290,831,974		2,329,083
Conversion of convertible notes *(Note (d))*	10,453,209		1,045
At 31 March 2002 and at 1 April 2002	29,931,804,183		2,993,180
Reduction of nominal value *(Note (e))*	(29,931,804,183)	29,931,804,183	(2,693,862)
At 31 March 2003	–	29,931,804,183	299,318

(a) Pursuant to an ordinary resolution dated 9 July 2001, the authorised share capital of the Company was increased from HK$1,500,000,000 divided into 15,000,000,000 shares of HK$0.10 each to HK$5,000,000,000 by the creation of a further 35,000,000,000 shares of HK$0.10. These shares rank pari passu in all respects with the existing shares of the Company.

(b) On 10 July 2001 and 23 November 2001, 22,234,300,000 shares of HK$0.10 each and 700,000,000 shares of HK$0.10 each respectively were issued and allotted at par to Sino-i and certain third parties as partial consideration for the acquisition of the entire issued share capital of Liu Wan (BVI) and the property development project in Nanjing, the PRC (Note 13) pursuant to the Properties Injection Agreement and the Rich King Agreement, details of which have been disclosed in the Company's circular dated 18 June 2001.

(c) On 17 October 2001, 250,000,000 shares of HK$0.10 each were issued and allotted to an independent third party, as consideration for the acquisition of the entire issued share capital of Longwise Development Limited.

(d) Pursuant to the Scheme of Arrangement as described in note 6(d), 106,531,974 ordinary shares in the Company were issued at par to the unsecured creditors of TCM. In addition, convertible debentures of an aggregate amount of HK$10,653,000 were also issued under the Scheme of Arrangement to these creditors. On 29 October 2001, 12 November 2001, 20 December 2001 and 31 December 2001, convertible debentures of HK$34,000, HK$25,000, HK$826,000 and HK$160,000 respectively were converted by the debenture holders into 10,453,209 shares of HK$0.10 each at the conversion price of HK$0.10 per share.

(e) Pursuant to a special resolution passed on 30 April 2002, the authorised share capital of the Company was reduced from HK$5,000,000,000 divided into 50,000,000,000 shares of HK$0.10 each to HK$2,306,138,000 divided into 230,613,762,353 shares of HK$0.01 each with effect from 2 May 2002. The reduction is effected by cancelling the paid up capital to the extent of HK$0.09 on each of the 29,931,804,183 shares in issue; by subdividing the unissued shares from 20,068,195,817 shares of HK$0.10 each into 200,681,958,170 shares of HK$0.01 each; and by reducing the authorised share capital of the Company from HK$5,000,000,000 to HK$2,306,137,623. The amount of HK$2,693,862,000 arising from the reduction of capital has been firstly offset against the accumulated losses of the Company as at 30 April 2002 and then credited to the contributed surplus of Company. By an ordinary resolution passed on 30 April 2002, the authorised share capital of the Company was increased from HK$2,306,138,000 to HK$5,000,000,000 by the creation of 269,386,237,647 new shares of HK$0.01 each following the aforesaid capital reduction coming into effect. These new shares rank pari passu with the existing shares of the Company.

31. RESERVES

Group

	Share premium	Property revaluation reserve	Capital reserve	Exchange reserve	(Accumulated losses)/ Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2001	96,069	20,778	12,465	52	(818,919)	(689,555)
Release on disposal of properties	–	(1,311)	–	–	1,311	–
Exchange differences on translation of the financial statements of foreign subsidiaries	–	–	–	(274)	–	(274)
Profit for the year	–	–	–	–	52,152	52,152
At 31 March 2002 and at 1 April 2002	96,069	19,467	12,465	(222)	(765,456)	(637,677)
Reduction of capital *(Note 30(e))*	–	–	1,921,847	–	772,015	2,693,862
Release on disposal of properties	–	(18,960)	–	–	18,960	–
Exchange differences on translation of the financial statements of foreign subsidiaries	–	–	–	8,511	–	8,511
Release upon disposal of subsidiaries	–	–	643	(181)	–	462
Impairment losses on land and buildings	–	(475)	–	–	–	(475)
Profit for the year	–	–	–	–	190	190
At 31 March 2003	96,069	32	1,934,955	8,108	25,709	2,064,873

Company

	Share premium	Contributed surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2001	96,069	50,010	(719,971)	(573,892)
Loss for the year	–	–	(48,874)	(48,874)
At 31 March 2002 and at 1 April 2002	96,069	50,010	(768,845)	(622,766)
Reduction of capital *(Note 30(e))*	–	1,921,847	772,015	2,693,862
Loss for the year	–	–	(6,375)	(6,375)
At 31 March 2003	96,069	1,971,857	(3,205)	2,064,721

(a) Contributed surplus of the Company represents the difference between the aggregate net asset value of subsidiaries acquired and the nominal amount of the Company's shares issued for the acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders under certain circumstances.

(b) Included in the retained profits of the Group of HK$25,709,000 (2002: accumulated losses of HK$765,456,000) is the accumulated losses of HK$777,000 (2002: HK$403,000) of an associate (note 15) dealt with in the financial statements.

32. DEFERRED TAXATION

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

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Tax effect of timing differences attributable to accelerated depreciation allowances	790	790

At 31 March 2003, the amount of unprovided deferred tax asset is as follows:

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Tax effect of timing differences attributable to estimated tax losses	53,079	60,797

No provision has been made for deferred tax liability in respect of the timing differences relating to the surplus from the revaluation of properties of subsidiaries. The revaluation does not constitute a timing difference for taxation purposes because the revalued properties are not subject to capital gains tax.

Deferred tax asset has not been recognised in the financial statements as it is uncertain whether such asset will crystallise in the foreseeable future.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	2003	2002
	HK$'000	*HK$'000*
Net assets acquired:		
Property, plant and equipment	–	47
Land held for development	–	3,201,463
Other receivables and deposits	–	2,994
Cash at banks and in hand	–	501
Amounts due to fellow subsidiaries	–	(67,883)
Trade and other payables	–	(123,203)
Land premium payables	–	(160,576)
Short-term bank loan	–	(185,185)
Deposit received	–	(27,685)
	–	2,640,473
Negative goodwill arising on consolidation	–	(278,043)
	–	2,362,430
Satisfied by:		
Issue of shares	–	2,238,430
Disposal of a subsidiary	–	124,000
	–	2,362,430

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

	2003	2002
	HK$'000	*HK$'000*
Cash at banks and in hand acquired	–	501

(b) Disposal of subsidiaries

	2003	2002
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	261	4,173
Land held for development	21,086	–
Inventories	1,753	–
Trade and other receivables	1,068	401
Amount due from ultimate holding company	–	24,018
Amounts due from minority shareholders	–	888
Cash at banks and in hand	900	142
Pledge bank deposits	–	5,446
Trade and other payables	(14,858)	(1,289)
Bank loans	–	(4,897)
	10,210	28,882
Goodwill written off on disposal of subsidiaries	3,553	95,118
Reserves released upon disposal of subsidiaries:		
– Capital reserve	643	–
– Exchange reserve	(181)	–
Gain on disposal of subsidiaries	9,736	–
	23,961	124,000
Satisfied by:		
Acquisition of a subsidiary	–	124,000
Cash consideration	8,204	–
Consideration included in other receivables	15,000	–
Waiver of amount due to a creditor	757	–

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

	2003	2002
	HK$'000	*HK$'000*
Cash consideration	8,204	–
Cash at banks and in hand disposed of	(900)	(142)
	7,304	(142)

(c) Major non-cash transactions

The acquisition of a subsidiary, Liu Wan (BVI), and the interest in a property development project during the year ended 31 March 2002 were satisfied by the disposal of a former subsidiary, Rich King Inc., to Sino-i and the issue of 22,934,300,000 shares of HK$0.10 each to Sino-i and independent vendors.

The acquisition of a subsidiary, Longwise Development Limited, during the year ended 31 March 2002 was satisfied by the issue of 250,000,000 shares of HK$0.10 each to an independent third party.

The consideration of HK$210,000,000 for the acquisition of 49% equity interest in an associate during the year ended 31 March 2002 was financed by a loan of HK$210,000,000 which was subsequently settled by the issuance of HK$210,000,000 5% interest-bearing convertible notes.

Under the Scheme of Arrangement as described in note 6(d), the Company issued 106,531,974 shares of HK$0.10 each and convertible debentures of HK$10,653,000 to settle the total amount due to the unsecured creditors of TCM, resulting in liabilities waived by unsecured creditors of HK$89,779,000.

The disposal of a subsidiary during the year ended 31 March 2003 was satisfied by the waiver of an amount due to a creditor of HK$757,000.

34. RETIREMENT BENEFIT COSTS

Before 1 December 2000, the Group operated a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The rate of contribution payable by the Group is 5% of the individual employees' monthly basic salaries. The Group's contributions under the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme Ordinance"). With effect from 1 December 2000, a new scheme (the "MPF Scheme") was also set up under the MPF Scheme Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, pension scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% on their monthly basic salaries whereas the Group's monthly contribution is 5% of relevant income up to a maximum monthly contribution of HK$1,000.

The subsidiaries operating in the PRC are required to participate in defined contribution retirement schemes organised by the relevant local government authorities. They are required to make contributions to the retirement schemes at a rate of 13 to 19 per cent of basic salary of their employees. There are no other further obligations to the Group in respect of these retirement schemes.

Contributions to the ORSO Scheme and the MPF Scheme paid for the Hong Kong employees and contributions to the defined contribution retirement scheme paid for the PRC employees charged to the consolidated income statement for the year amounted to HK$131,000 (2002: HK$13,000). Forfeited contributions in respect of the ORSO Scheme of approximately HK$312,000 (2002: HK$756,000) were utilised during the year leaving Nil (2002: Nil) available as at 31 March 2003 to reduce future contributions.

Contributions totalling HK$28,000 (2002: HK$20,000) payable to the ORSO Scheme and the MPF Scheme at 31 March 2003 are included in other payables.

35. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments and fees disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the provisions of the Listing Rules are as follows:

	2003	2002
	HK$'000	*HK$'000*
Fees	340	18
Other emoluments:		
– basic salaries, other allowances and benefits in kind	–	–
	340	18

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

	Number of directors			
	Executive directors		Non-executive directors	
	2003	2002	2003	2002
Nil – HK$1,000,000	3	5	5	4

No directors waived or agreed to waive any emoluments in respect of the years ended 31 March 2003 and 2002.

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, none (2002: none) is a director of the Company. The five (2002: five) highest paid individuals are senior management of the Group. The aggregate amount of the individuals whose emoluments have not been disclosed in directors' emoluments noted above is as follows:

	2003	2002
	HK$'000	*HK$'000*
Basic salaries, other allowances and benefits in kind	2,513	3,700
Pension contributions	60	132
	2,573	3,832

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

	2003	2002
Nil– HK$1,000,000	5	4
HK$1,000,001– HK$1,500,000	–	1
	5	5

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

36. COMMITMENTS

(a) Capital commitments

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

	2003	2002
	HK$'000	*HK$'000*
Contracted but not provided for	22,355	25,231

At 31 March 2003 and 2002, the Company had no capital commitments.

(b) Commitments under operating leases

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

	Land and buildings	
	2003	2002
	HK$'000	*HK$'000*
Within one year	83	779
In the second to fifth years	–	2,568
	83	3,347

At 31 March 2003 and 2002, the Company had no operating lease commitments.

37. CONTINGENT LIABILITIES

	Group		Company	
	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Guarantees given in connection with credit facilities granted to a third party	37,037	37,037	–	–

38. RELATED PARTY TRANSACTIONS

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

Financial transactions

	2003	2002
	HK$'000	*HK$'000*
Management fee paid	–	3,423

Management fee in 2002 was paid to Sino-i in respect of the management services provided. The management fee was mutually agreed between the relevant parties.

Assets injection with Sino-i

On 22 March 2001, the Company and Sino-i entered into two conditional agreements in respect of the acquisition of direct and indirect interests in certain properties through acquisition of subsidiaries and interest in a property development project from Sino-i and independent vendors, as set out in the Company's circular dated 18 June 2001, at a consideration of HK$2,417,430,000, which will be satisfied by issuing 22,934,300,000 shares in the Company at HK$0.10 each and the disposal of Rich King Inc. to Sino-i at a consideration of HK$470,000,000 respectively. On 10 May 2001, the Company and Sino-i entered into supplemental agreements as modified and supplemented to the conditional agreements, under which the consideration for disposal of Rich King Inc. was adjusted to HK$124,000,000. On 10 July 2001 and 23 November 2001, 22,234,300,000 and 700,000,000 shares of HK$0.10 each respectively in the Company were issued to Sino-i and independent vendors. Rich King Inc. was disposed of to Sino-i in exchange of the direct and indirect interests in properties on 10 July 2001.

Financial support

As at 31 March 2003, the Group's banking facilities were secured by corporate guarantees executed by the ultimate holding company.

Balances with ultimate holding company and fellow subsidiaries

As at 31 March 2003, the Group had payables due to the ultimate holding company and certain fellow subsidiaries. These balances are mainly in respect of advances from these parties.

Details of the terms are set out in notes 23 and 24 to the financial statements.

39. BANKING FACILITIES

The total banking facilities of the Group amounting to HK$522 million (2002: HK$709 million) were secured, inter alia, by the following:

(i) fixed charges over the leasehold land and buildings and other fixed assets of the Group with an aggregate net book value of approximately HK$54,959,000 (2002: HK$93,492,000);

(ii) floating charge over other assets of certain subsidiaries within the Group;

(iii) corporate guarantees given by Paracorp Berhad, the former ultimate holding company of the Group, with a maximum liability of not more than HK$40 million;

(iv) corporate guarantee given by the ultimate holding company for HK$42.8 million and unlimited guarantees given by certain subsidiaries within the Group;

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

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

(vii) the land held for development with Land Lot No. K708-5 at Liu Wan (see Note 12);

(viii) unlimited personnel guarantee given by Mr. Yu Pun Hoi, a director and substantial shareholder of the Company;

(ix) all sales proceeds from sale of the properties with Land Lot No. K708-5 at Liu Wan (see Note 12); and

(x) unlimited corporate guarantee given by the Company.

40. PENDING LITIGATION

In a prior year, Team Concepts Marketing Limited (formerly Team Concepts Electronics Limited), a subsidiary of the Company, issued a proceeding against an European distributor, Stadlbauer Marketing & Vertrieb GmbH ("SMV"), for outstanding accounts receivable of approximately US$0.8 million (HK$6.2 million). SMV has filed a counterclaim for a sum amounting to Austrian Schilling 2.5 million (HK$1.6 million) for alleged breach of exclusive distributorship contracts. Up to the date of approval of these financial statements, the court case is still in progress and no settlement has yet been received by the Group. The directors are of the opinion that this litigation is unlikely to result in any material loss to the Group and adequate provision has been made against any potential loss.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 18 to 65 were approved by the board of directors on 30 July 2003.

PART A. UNAUDITED INTERIM RESULTS

The following is extracted from the unaudited interim report of Sino-i for the six months ended 30 September 2003:

Condensed Consolidated Profit and Loss Account – Unaudited
For the six months ended 30 September 2003

		For the six months ended 30 September	
		2003	**2002**
	Notes	*HK$'000*	*HK$'000*
Turnover	*2*	312,019	173,456
Cost of sales and services provided		(137,419)	(89,523)
Gross profit		174,600	83,933
Other revenue	*3*	38,255	88,686
Administrative expenses		(88,372)	(84,070)
Depreciation and amortisation	*4*	(34,323)	(42,639)
Other operating expenses		(7,208)	(18,403)
Profit from operations	*4*	82,952	27,507
Finance costs	5	(24,738)	(16,671)
Share of results of associates		(80)	(223)
Profit before taxation		58,134	10,613
Taxation	*6*	(4,105)	(27)
Profit before minority interests		54,029	10,586
Minority interests		(13,206)	(7,311)
Profit for the period attributable to shareholders		40,823	3,275
		HK cents	*HK cents*
Earnings per share	*8*		
– Basic		0.272	0.024
– Diluted		N/A	N/A

Condensed Consolidated Balance Sheet
As at 30 September 2003

	Notes	(Unaudited) 30 September 2003 HK$'000	(Audited) 31 March 2003 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		735,672	741,081
Interests in associates		(8,744)	(8,245)
Long term investments		304,030	288,676
Land held for development		3,786,104	3,758,167
Intangible assets		449,808	439,367
		5,266,870	5,219,046
Current assets			
Inventories		7,116	7,495
Short term investments		127	398
Trade and other receivables	*9*	764,359	616,415
Amounts due from related companies		2,154	11,105
Cash at banks and in hand		36,517	66,469
		810,273	701,882
Current liabilities			
Trade and other payables	*10*	430,283	370,520
Provision for tax		16,237	15,132
Defined benefit retirement obligation		4,017	4,360
Land premium payables		301,633	301,633
Amount due to a director		28,366	7,230
Amounts due to shareholders		8,115	8,115
Amount due to a minority shareholder		–	2,359
Bank and other borrowings		531,147	485,849
		1,319,798	1,195,198
Net current liabilities		(509,525)	(493,316)
Total assets less current liabilities		4,757,345	4,725,730
Non-current liabilities			
Bank and other borrowings		762,662	1,001,509
Deposit received		29,040	29,049
Deferred tax		790	790
		792,492	1,031,348
Minority interests		1,016,808	986,079
Net assets		2,948,045	2,708,303
CAPITAL AND RESERVES			
Share capital	*11*	1,591,450	1,391,450
Share premium		472,736	472,736
Reserves		883,859	844,117
Shareholders' funds		2,948,045	2,708,303

Condensed Consolidated Cash Flow Statement – Unaudited
For the six months ended 30 September 2003

	For the six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
Net cash inflow/(outflow) from operating activities	41,440	(6,895)
Net cash outflow from investing activities	(76,762)	(39,829)
Net cash inflow/(outflow) from financing activities	7,150	(203,329)
Decrease in cash and cash equivalents	(28,172)	(250,053)
Cash and cash equivalents at 1 April	66,469	258,738
Effect of foreign exchange rate changes, net	(1,780)	54
Cash and cash equivalents at 30 September	36,517	8,739
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	36,517	12,295
Bank overdrafts	–	(3,556)
	36,517	8,739

Condensed Consolidated Statement of Changes in Equity – Unaudited
For the six months ended 30 September 2003

	For the six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
Total equity at 1 April	2,708,303	2,682,814
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(1,780)	53
Net gains and losses not recognised in the consolidated income statement	(1,780)	53
Conversion of convertible notes into share capital	200,000	–
Reserve from acquisition of additional interest in an associate	–	(2)
Reserve attributable to minority shareholders	699	422
Profit attributable to shareholders	40,823	3,275
Total equity at 30 September	2,948,045	2,686,562

Notes to Condensed Consolidated Financial Statements

30 September 2003

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in compliance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation used in the preparation of the interim condensed financial statements are the same as those used in the audited financial statements for the year ended 31 March 2003, except for the adoption of SSAP 12 (Revised) "Income Taxes".

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax is provided using the income statement liability method on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

The adoption of the above SSAP has no material effect on the condensed financial statements of the Group for the current and prior period.

2. SEGMENT INFORMATION

(a) The following analysis presents turnover and profit for the Group's business segments for the period ended 30 September 2003:

	Turnover Six months ended 30 September		Profit/(Loss) Six months ended 30 September	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Information technology business	193,923	76,603	50,785	12,144
Provision of financial information	50,274	37,736	16,757	9,383
Consumer packaged electronics	1,379	14,307	(1,368)	(27,546)
Electronic manufacturing services	6,344	19,853	(1,596)	(839)
Telecommunication products	–	–	(3)	(4)
Property development	–	73	(1,422)	(13,607)
Sales of securities	383	16,055	(345)	(507)
Hotel operation	40,410	6,615	114	(735)
Property investment	399	1,297	(3,305)	764
Distance learning and application services	18,907	917	8,024	(3,724)
Elimination	–	–	15,000	–
	312,019	173,456	82,641	(24,671)
Interest income			6,833	1,646
Gain on partial disposal of a subsidiary			3,718	–
Waiver of loan interest payable by a bank			6,185	–
Gain on disposal of a jointly controlled entity			–	3,480
Gain on partial disposal of interest in a property development project			–	71,438
Unallocated corporate expenses			(16,425)	(24,386)
Profit from operations			82,952	27,507
Finance costs			(24,738)	(16,671)
Share of results of associates			(80)	(223)
Profit before taxation			58,134	10,613
Taxation			(4,105)	(27)
Profit before minority interests			54,029	10,586
Minority interests			(13,206)	(7,311)
Profit attributable to shareholders			40,823	3,275

(b) The following analysis presents the Group's turnover by geographical markets:

	Turnover Six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
Europe	601	2,200
North America	–	8,940
Hong Kong	818	30,856
The People's Republic of China ("PRC")	271,517	124,966
Philippines	39,083	–
Others	–	6,494
	312,019	173,456

3. OTHER REVENUE

	For the six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
Waiver of loan interest payable by a bank	6,185	–
Interest income	6,833	–
Gain on partial disposal of a subsidiary	3,718	–
Gain on disposal of fixed assets	2,609	–
Negative goodwill released	9,079	12,122
Gain on partial disposal of interest in property development project *(Note)*	–	71,438
Gain on disposal of a jointly controlled entity	–	3,480
Sundry income	9,831	1,646
	38,255	88,686

Note: The gain in the last period is attributable to the Group's partial disposal of its interest in property development project undertaken by Nanjing Hanxi Real Estate Development Co. Ltd.

4. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging:

	For the six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
Amortisation of goodwill	23,004	19,032
Amortisation of product development costs	–	916
Amortisation of proprietary software	–	3,935
Depreciation	11,319	15,203
Provision for impairment in goodwill	–	3,553
Provision for impairment in value of investment properties	3,500	–
Provision for impairment in value of land held for development	–	12,887

5. FINANCE COSTS

	For the six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
Interest on		
Bank loans and overdrafts		
– wholly repayable within five years	22,179	18,220
– not wholly repayable within five years	3,035	2,771
Other loans and convertible notes		
– wholly repayable within five years	12,259	8,256
Finance leases	–	33
	37,473	29,280
Less: Amounts capitalised under land held for development	(12,735)	(12,609)
	24,738	16,671

6. TAXATION

Taxation in the condensed consolidated profit and loss account represents:

	For the six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
Provision for the period:		
Overseas	(4,105)	(27)
Taxation charges for the period	(4,105)	(27)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2002: Nil).

Overseas taxation has been provided on the profits of the overseas subsidiaries in accordance with tax laws of the countries in which these subsidiaries operate.

7. DIVIDENDS

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 September 2003 (2002: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period ended of HK$40,823,000 (2002: HK$3,275,000) and the weighted average number of 14,985,543,128 (2002: 13,914,504,877) ordinary shares in issue during the period.

Diluted earnings per share for both periods ended 30 September 2003 and 2002 are not presented because the impact of the exercise of the share options and convertible notes is anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

A defined credit policy is maintained within the Group. The age analysis of trade debtors as at 30 September 2003 was as follows:

	30 September 2003	31 March 2003
	HK$'000	*HK$'000*
Trade receivables, analysed according to aging:		
0 – 90 days	89,590	61,713
91 – 180 days	4,511	75,476
181 – 270 days	58,659	4,003
271 – 360 days	2,960	2,177
Over 360 days	23,802	43,251
Less: Provisions	(21,124)	(21,124)
	158,398	165,496
Prepayments, deposits and other receivables	615,628	460,586
Less: Provisions	(9,667)	(9,667)
	605,961	450,919
	764,359	616,415

10. TRADE AND OTHER PAYABLES

The age analysis of trade creditors as at 30 September 2003 was as follows:

	30 September 2003	31 March 2003
	HK$'000	*HK$'000*
Trade payables, analysed according to aging:		
0 – 90 days	30,974	9,592
91 – 180 days	1,169	2,238
181 – 270 days	434	570
271 – 360 days	426	199
Over 360 days	5,002	3,910
	38,005	16,509
Other payables and accruals	392,278	354,011
	430,283	370,520

11. SHARE CAPITAL

	Number of ordinary shares	*HK$'000*
Authorised:		
At 1 April 2003 and 30 September 2003	30,000,000,000	3,000,000
Issued and fully paid:		
At 1 April 2003	13,914,504,877	1,391,450
Conversion of convertible notes *(Note (a))*	2,000,000,000	200,000
At 30 September 2003	15,914,504,877	1,591,450

(a) On 31 December 2002, the Company issued HK$200,000,000 convertible notes to Empire Gate Industrial Limited, an independent third party, for settlement of the consideration for the acquisition of subsidiaries. These convertible notes bear interest at 1% per annum and are due on 31 December 2004. Each of the convertible notes carries the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances.

On 25 June 2003, convertible notes of HK$200 million were converted into 2,000,000,000 ordinary shares of HK$0.10 each at a conversion price of HK$0.10 per share by Empire Gate Industrial Limited.

12. CONTINGENT LIABILITIES

As at 30 September 2003, the Group had the following contingent liabilities:

	30 September 2003 *HK$'000*	31 March 2003 *HK$'000*
Guarantees given in connection with credit facilities granted to:		
– An associate	8,282	8,669
– A minority shareholder of a former subsidiary	45,420	39,338
– Third party	71,698	71,698
	125,400	119,705

13. CAPITAL COMMITMENTS

	30 September 2003 *HK$'000*	31 March 2003 *HK$'000*
Construction costs for certain property development projects undertaken in the PRC and acquisition of investments:		
Contracted, but not provided for	71,845	84,690

14. PLEDGE OF ASSETS

As at 30 September 2003, the Group's credit facilities were supported by the following assets of Sino-i Group:

(a) first legal charges on the Group's investment properties with an aggregate net book value of HK$90,000,000;

(b) first legal charges on hotel properties located in the PRC and the Philippines and properties under development located in the PRC with an aggregate net book value of HK$548,265,000;

(c) charge over the land held for development with Lot No. K708-5 at Liu Wan, Shekou, the PRC together with all its sales proceeds;

(d) charge over certain land held for development at Guang Hua Gong Lu, Hua Du City, Guangdong Province, the PRC;

(e) charge over land held for development in Hong Kong with carrying value of HK$58,788,000;

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

(g) pledge of listed shares with market value of approximately HK$198,600,000;

(h) floating charge over certain assets of certain companies within the Group;

(i) fixed charges over land and buildings and other property, plant and equipment with aggregate net book value of HK$52,675,000;

(j) certain investment in and amount advance to a subsidiary with a net balance of HK$51,700,000 in a subsidiary; and

(k) undertaking on the part of the Group for assignment of rentals from the letting of certain investment properties; and proceeds from sales of certain investment properties.

15. RELATED PARTY TRANSACTIONS

There is no material and significant related party transaction for the period.

16. SUBSEQUENT EVENT

On 9 December 2003, the Group entered into a sales and purchase agreement to dispose of one of its investment properties in Hong Kong at a consideration of HK$20,000,000.

17. COMPARATIVE FIGURES

Certain prior year comparative figures have been reclassified to conform with current period's presentation.

18. LITIGATION

There have been no material changes and developments in respect of pending litigation cases of the Group since the disclosures in the Group's annual audited financial statements for the year ended 31 March 2003.

PART B. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Summary of Auditors' Report For Years Ended 31 March 2003, 2002 and 2001

I. Year ended 31 March 2003

The following is the text of the auditors report on the financial statements of Sino-i for the year ended 31 March 2003 extracted from Sino-i's 2003 annual report. References to page numbers are to the page numbers of such financial statements presented in Sino-i's 2003 annual report.

Certified Public Accountants
Member of
Grant Thornton International

Grant Thornton
均富會計師行

TO THE MEMBERS OF
SINO-I TECHNOLOGY LIMITED
(FORMERLY SINO-I.COM LIMITED)
（中國數碼信息有限公司）
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 22 to 100 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty relating to the going concern basis of the financial statements

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the adoption of the going concern basis for the preparation of the financial statements. As set out in note 2 to the financial statements, the financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of certain proposed financing plans and the continuing support of the Group's bankers and a creditor. The financial statements do not include any adjustments that would result from a failure of the Group to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. We consider that appropriate disclosures relating to this fundamental uncertainty have been made and our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
Hong Kong

30 July 2003

II. Year ended 31 March 2002

The following is the text of the auditors report on the financial statements of Sino-i for the year ended 31 March 2002 extracted from Sino-i's 2002 annual report. References to page numbers are to the page numbers of such financial statements presented in Sino-i's 2002 annual report.

Certified Public Accountants
Member of
Grant Thornton International

Grant Thornton
均富會計師行

TO THE MEMBERS OF SINO-I.COM LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 21 to 90 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental Uncertainty Relating to the Going Concern Basis of the Financial Statements

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the adoption of the going concern basis for the preparation of the financial statements. As set out in note 2 to the financial statements, the financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of certain proposed financing plans and the continuing support of the Group's bankers. The financial statements do not include any adjustments that would result from a failure of the Group to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to reduce the value of the Group's assets to their recoverable amounts, to provide for any future liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. We consider that appropriate disclosures relating to this fundamental uncertainty have been made and our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2002 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
Hong Kong

26 July 2002

III. Year ended 31 March 2001

The following is the text of the auditors report on the financial statements of Sino-i for the year ended 31 March 2001 extracted from Sino-i's 2001 annual report. References to page numbers are to the page numbers of such financial statements presented in Sino-i's 2001 annual report.

Certified Public Accountants
Hong Kong Member Firm of
Grant Thornton International

Grant Thornton
均富會計師行

TO THE MEMBERS OF SINO-I.COM LIMITED
（中國數碼信息有限公司）
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on 21 to 77 which have been prepared in the accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and auditors

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report out opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of auditing Standards issued by the Hong Kong Society of accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty Relating to the Going Concern Basis

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the adoption of the going concern basis for the preparation of the financial statements. As set out in note 2 to the financial statements, the financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of certain proposed financial plans and operational measures and the continuing support of the Group's principal bankers and creditors. The financial statements do not include any adjustments that would result from a failure of the Group to implement the proposed financial plans and operational measures and to obtain continuing support of its principal bankers and creditors. Had the going concern basis not been used, adjustments would have to be made to reduce the value of the Group's assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. We consider that the fundamental uncertainty has been properly accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Grant Thornton
Certified Public Accountants

Hong Kong
27 August 2001

Summary of Audited Consolidated Profit and Loss Account

The following is a summary of the audited consolidated profit and loss accounts of Sino-i for the years ended 31 March 2003, 2002 and 2001 extracted from the annual reports of Sino-i for the relevant periods.

	Year ended 31st March		
	2003	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	389,049	467,924	484,470
Profit/(loss) before taxation	45,902	5,228	(20,986)
Taxation	(6,488)	(5,333)	878
Profit/(loss) before minority interests	39,414	(105)	(20,108)
Minority interests	(25,569)	(32,383)	35,785
Net profit/(loss) attributable to shareholders	13,845	(32,488)	15,677
Dividends	0	0	0
	HK cents	*HK cents*	*HK cents*
Earning/(loss) per share			
– basic	0.10	(0.35)	0.40

Consolidated Profit and Loss Account
For the year ended 31 March 2003

The following is the audited consolidated profit and loss accounts of Sino-i for the year ended 31 March 2003 and 2002 extracted from the annual report of Sino-i for the year ended 31 March 2003.

	2003	2002
	HK$'000	*HK$'000*
Turnover	389,049	467,924
Cost of sales and services provided	(202,479)	(337,274)
Gross Profit	186,570	130,650
Other revenue	44,275	89,331
Gain on deemed partial disposal of a subsidiary	–	20,000
Gain on disposal of subsidiaries	10,198	–
Gain on disposal of a jointly controlled entity	3,403	–
Gain on disposal of property development projects	117,778	–
Administrative expenses	(145,809)	(162,380)
Other operating expenses	(158,994)	(139,092)
Profit/(Loss) from operations	57,421	(61,491)
Finance costs	(41,161)	(47,619)
Liabilities waived by a director	30,000	–
Liabilities waived by unsecured creditors	–	89,779
Loan waived by a minority shareholder	–	25,000
Share of results of associates	(358)	(441)
Profit before taxation	45,902	5,228
Taxation	(6,488)	(5,333)
Profit/(Loss) before minority interests	39,414	(105)
Minority interests	(25,569)	(32,383)
Profit/(Loss) attributable to shareholders	13,845	(32,488)
	HK cent	*HK cent*
Earnings/(Loss) per share		
– Basic	0.10	(0.35)

Audited Consolidated Balance Sheet

The following is the audited consolidated balance sheets of Sino-i as at 31 March 2003 and 2002 respectively as extracted from the annual report of Sino-i for the year ended 31 March 2003.

Consolidated Balance Sheet
As at 31 March 2003

	2003	**2002**
	HK$'000	*HK$'000*
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	741,081	546,586
Interests in associates	(8,245)	(7,426)
Interest in a jointly controlled entity	–	89
Other investments	288,676	236,623
Land held for development	3,758,167	3,693,973
Intangible assets	439,367	368,270
	5,219,046	4,838,115
Current assets		
Inventories	7,495	30,663
Short term investment	398	1,649
Trade and other receivables	616,415	264,567
Amounts due from related companies	11,105	30,719
Cash at banks and in hand	66,469	262,102
	701,882	589,700
Current liabilities		
Trade payables, other payables and accruals	370,520	283,684
Provision for tax	15,132	6,243
Defined benefit retirement obligation	4,360	–
Land premium payables	301,633	309,917
Amount due to a director	7,230	22,111
Amounts due to shareholders	8,115	9,269
Amount due to a minority shareholder	2,359	–
Bank and other borrowings	485,849	525,106
	1,195,198	1,156,330
Net current liabilities	(493,316)	(566,630)
Total assets less current liabilities	4,725,730	4,271,485

	2003	2002
	HK$'000	*HK$'000*
Non-current liabilities		
Bank and other borrowings	1,001,509	648,984
Deposit received	29,049	28,163
Deferred tax	790	790
	1,031,348	677,937
Minority interests	986,079	910,734
Net assets	2,708,303	2,682,814
CAPITAL AND RESERVES		
Share capital	1,391,450	1,391,450
Share premium	472,736	472,736
Reserves	844,117	818,628
Shareholders' funds	2,708,303	2,682,814

Yu Pun Hoi	**Zhang Hong Ren**
Director	*Director*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

1. GENERAL INFORMATION

The Company is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in property investment, property development, information technology business, provision of financial information and related services, and design, marketing, manufacture and trading of consumer electronic products. Details of the principal activities of the Company's subsidiaries are set out in note 14 to the financial statements.

2. BASIS OF PREPARATION

As at 31 March 2003, the Group had net current liabilities of HK$493,316,000. Notwithstanding this, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year. Proposed financing arrangements include, but are not limited to, the following:

– The Group is currently negotiating with its bankers and a creditor to extend and re-schedule the repayment terms of certain bank loans and borrowing which are either overdue for payment at the balance sheet date or would be due for repayment in the coming year. The Group is also in the course of discussion with some of its bankers to apply for additional credit facilities. The directors anticipate that the Group will be able to maintain the existing credit facilities and obtain additional credit facilities from its bankers.

– The Group is currently seeking potential buyers for certain of its properties. As part of the Group's strategic plan, the Group intends to divest these properties and thereby to obtain additional cash resources for repayment of its overdue indebtedness and/or to provide additional working capital.

– As more fully disclosed in note 44(a) to the financial statements, the Company and Mr. Yu Pun Hoi ("Mr. Yu"), a director and substantial shareholder of the Company, have agreed to extend the period within which Mr. Yu may require, pursuant to a previous agreement entered into between the Company and Mr. Yu, the Company to issue convertible notes of up to an additional principal amount of HK$200 million to any investor(s), Mr. Yu or one or more of his associates by another six months which would expire on 31 December 2003 or such further period as may be agreed between the Company and Mr. Yu. The net proceeds of the additional issue of such convertible notes will be used as working capital of the Group.

The directors believe that the aforementioned financial plans will be successful and the principal bankers will continue to support the Group. Having regard to the cash flow projections of the Group, which are based on the key assumptions that these measures will be successful, the directors are of the opinion that, in the light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the financial statements have been prepared on a going concern basis.

Should the Group be unable to generate sufficient cash flows and/or secure the support of its bankers and creditor, the Group might not be able to continue in business as a going concern. Accordingly, adjustments would have to be made in the financial statements to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements on pages 22 to 100 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment and investments in securities.

(a) Adoption of new/revised SSAPs

In the current year, the Group has adopted, for the first time, the following revised or new SSAPs.

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

Adoption of these revised or new SSAPs has led to a number of changes in the Group's accounting policies. In addition, the revised or new SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. The adoption of these revised or new SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current and prior years.

SSAP 1 (Revised) – Presentation of financial statements

In adopting SSAP 1 (Revised), the Group is required to present a statement of changes in equity instead of a statement of recognised gains and losses. Comparative amounts have been restated to achieve a consistent presentation.

SSAP 11 (Revised) – Foreign currency translation

SSAP 11 is revised to eliminate the option to translate the income statement of a foreign enterprise at the closing rate when preparing consolidated financial statements. The income statement of a foreign enterprise is now required to be translated at the average rate for the period. Although this is a change in accounting policy, the translation of the income statements of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the results of the Group for the current and prior periods.

SSAP 15 (Revised) – Cash flow statements

In adopting SSAP 15 (Revised), the Group requires a cash flow statement to report cash flows during the period classified by operating, investing and financing activities only. For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand, demand deposits, short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Comparative amounts have been restated to achieve a consistent presentation.

SSAP 33 – Discontinuing operations

SSAP 33 prescribes the basis for reporting information about discontinuing operations and has resulted in certain additional disclosures, which are included in note 7 to the financial statements.

SSAP 34 – Employee benefits

Employee entitlements

In adopting SSAP 34, employee entitlements to annual leave and long service payment are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Under SSAP 34, the cost of providing retirement benefits under the defined benefit retirement scheme is determined using the projected unit credit method, with actuarial valuations being carried out annually. Actuarial gains and losses which exceed 10% of the greater of the present value of the defined benefit obligations and the fair value of the plan assets are amortised over the expected average remaining working lives of the employees participating in the scheme.

The adoption of SSAP 34 has not had any material impact on the prior year's financial statements and no prior year adjustment is required.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year. All material inter-company transactions and balances within the Group are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sales and the Group's share of its net assets together with any goodwill or negative goodwill which was not previously charged or recognised in the consolidated income statement.

The financial statements also include the Group's share of post-acquisition results and reserves of its associates and jointly controlled entities.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Subsidiaries

Subsidiaries are those enterprises in which the Company controls more than half of the voting power, or holds more than half of the issued share capital, or controls the composition of the board of directors.

In the Company's balance sheet, subsidiaries are carried at cost less impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

(d) Associates

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

The results of the associates are accounted for by the Group using the equity method of accounting. The Group's interests in associates are stated at its share of net assets of the associates. The Company's investments in associates are stated at cost less impairment losses. The results of associates are accounted for by the Company on the basis of dividends received or receivable at the balance sheet date.

An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates except where unrealised losses provide evidence of an impairment of the asset transferred.

(e) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's interests in jointly controlled entities are recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

(f) Goodwill/Negative goodwill

Goodwill arising on an acquisition represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired.

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 for a period of not exceeding twenty years.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and the relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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

Negative goodwill

Negative goodwill arising on an acquisition represents the excess of the fair value of the identifiable assets and liabilities acquired over the cost of acquisition.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair value of the non-monetary assets acquired, is recognised as income on a systematic basis over the remaining weighted average useful life of those acquired depreciable/amortisable assets. Negative goodwill in excess of the fair value of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

(g) Property, plant and equipment

(i) Depreciation and amortisation

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the lease terms
Buildings	2% to 5% or over the lease terms, whichever is shorter
Leasehold improvements, furniture, fixtures and equipment	10% to $33^1/_3$%
Motor vehicles and pleasure yacht	10% to $33^1/_3$%

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

(ii) Measurement bases

Property, plant and equipment other than investment properties are stated at cost or valuation less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

Advantage has been taken of the transitional relief provided by SSAP 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 19 March 1993, and accordingly no further revaluation of such land and buildings is carried out. Prior to 19 March 1993, the surplus arising on the revaluation of these assets was credited to the property revaluation reserve grouped under general reserves.

Surplus arising on revaluation of property, plant and equipment other than investment properties is credited to asset revaluation reserve grouped under general reserves. A decrease in net carrying amount arising on revaluation is charged to the income statement to the extent that this exceeds the surplus, if any, held in asset revaluation reserve relating to the previous revaluation of the same item of assets. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement. Any revaluation surplus relating to the assets under disposal is transferred to retained profits/accumulated losses.

(h) Hotel properties

Hotel properties are interests in land and buildings and their integral fixed plant, furniture and fixtures and operating equipment which are collectively used in the operations of the hotel. Hotel properties are stated at their estimated open market value on the basis of annual professional valuations performed at the end of each financial year.

No depreciation is provided on hotel properties or on their integral fixed plant, furniture and fixtures and operating equipment. Expenditure on repairs and improvements of furniture and fixtures and renovation works is dealt with in the income statement in the year in which the expenditure is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits beyond the originally assessed standard of performance, the expenditure is capitalised as part of the carrying value of the hotel properties.

Hotel properties are valued annually by external professional valuers. The valuations are on an open market value basis related to individual properties. The valuations are incorporated in the annual financial statements. Increases in valuation are credited to the asset revaluation reserve grouped under general reserves; a revaluation decrease is first offset against any related revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of that same portfolio of assets and thereafter are charged to operating profit. A revaluation increase is recognised as income to the extent that it reverses revaluation decrease previously recognised as an expense.

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods longer than 20 years are not depreciated and stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. The valuations are incorporated in the annual financial statements. Increases in valuation are credited to the investment property revaluation reserve grouped under general reserves; decreases are first offset against increases on earlier valuations on a portfolio basis and thereafter are charged to operating profit. A revaluation increase is recognised as income to the extent that it reverses revaluation decrease previously recognised as an expense.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining periods of the leases.

Upon disposal, the revaluation surpluses relating to the investment properties disposed of are released from the investment property revaluation reserve and charged to the income statement.

(j) Properties under development

Properties under development are stated at their estimated open market value on the basis of annual professional valuations performed at the end of each financial year. No depreciation and amortisation is provided on properties under development.

(k) Investments

Investment securities are securities which are intended to be held on a continuing basis for an identified long-term purpose. Investment securities are stated in the balance sheet at cost less impairment losses. Provisions are made when the fair value of such securities has declined below the carrying amounts, unless there is evidence that the decline is temporary. The amount of the reduction is recognised as an expense in the income statement.

All other securities, whether held for trading or otherwise, are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise.

Dividend income from investments in securities is accounted for to the extent of amounts received and receivable up to and as at the balance sheet date.

(l) Property development projects

Interests in property development projects are included under other investments and stated at cost, which comprises development costs contributed towards the projects and other incidental costs, less impairment losses, if any. The results of the projects are recognised in the financial statements to the extent of distributions received.

(m) Land held for development

Land held for development is stated at cost less impairment losses. No depreciation and amortisation is provided on land held for development. Cost includes acquisition costs, development costs, borrowing costs capitalised in accordance with the Group's accounting policies and other direct costs attributable to the development.

(n) Product development costs

Costs incurred on projects in developing new products, including the respective cost of acquiring the rights to technical know-how for the production of the relevant new products, are capitalised and deferred only when the project is clearly defined, the costs are separately identifiable and there is reasonable certainty that the project is technically feasible and the outcome will be of commercial value. Product development costs which do not meet these criteria are expensed when incurred.

Product development costs are amortised, using the straight line method, over their estimated commercial lives of not more than three years commencing in the year when the product is put into commercial use. When the circumstances which have justified the deferral of the costs no longer apply, or are considered doubtful, the costs, to the extent to which they are considered to be irrecoverable, will be written off immediately to the income statement.

(o) Proprietary software

Costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised on a straight line basis over a period of five years.

Costs incurred in order to restore or maintain the future economic benefits that an enterprise can expect from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials computed using the weighted average method and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the actual or estimated selling price less all further costs of production and the estimated costs necessary to make the sale.

(q) Convertible notes

Convertible notes are stated at the aggregate amount of proceeds received from the issue. The direct issuing costs are taken to the income statement in the year of issue. In the event that the notes are converted, the amount recognised in respect of the shares issued upon conversion is the principal amount at which the liability of the notes is stated as at the date of conversion.

(r) Leases

(i) Finance leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets to the lessee. Assets acquired by way of finance leases are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the leases. The corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Finance charges implicit in the lease payments are charged to the income statement over the periods of the leases so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged or credited to the income statement on a straight line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(s) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at that date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the balance sheets of subsidiaries, associates and jointly controlled entities expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date and their income statements are translated at the average rates for the year. Gains and losses arising on exchange are dealt with as movements in exchange reserve.

(t) Deferred tax/Future tax benefits

Deferred tax is provided, using the liability method, on all significant timing differences, other than those which are not expected to crystallise in the foreseeable future.

Future tax benefit is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

(u) Employee benefits

(i) Employee entitlements

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

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

(ii) Retirement benefits scheme

The Group operates several staff retirement schemes for employees in Hong Kong, The People's Republic of China (the "PRC") and the Republic of Philippines ("Philippines"), comprising a defined benefit pension scheme, defined contribution pension schemes and a Mandatory Provident Fund ("MPF") scheme. The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement schemes are generally funded by payments from employees and by the relevant Group companies.

The subsidiaries operating in the PRC are required to participate in the defined contribution retirement scheme for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement schemes at a rate of 13% to 22% of basic salary of their employees and there are no other further obligations to the Group.

Before 1 December 2000, the Group operated a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The rate of contribution payable by the Group was 5% of the individual employees' monthly basic salaries. The Group's contributions under the ORSO Scheme were reduced by contributions forfeited by those employees who left the scheme prior to vesting fully in the contributions.

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Schemes Ordinance"). With effect from 1 December 2000, the MPF Scheme was also set up under the MPF Schemes Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, pension scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% on their monthly basic salaries whereas the Group's monthly contribution will be 5% of the relevant income with a maximum monthly contribution of HK$1,000.

The Group's contribution to the defined benefit retirement scheme (the "DB Scheme") for their employees in Philippines are made based on the periodic recommendations of independent qualified actuaries. Pension costs are assessed using the projected unit credit method. The cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plan. The pension obligation is measured as the present value of the estimated future cash outflows and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high corporate bonds that have maturity dates approximate the terms of the Group's obligations.

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating the plan. Otherwise, the actuarial gain or loss is not recognised.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as expense in the income statement on a straight line basis over the average period until the benefits become vested. To the extent that benefits vest immediately, the expense is recognised immediately in the income statement.

When the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The assets of the scheme are held separately from those of the Group, in separate trustee administrated funds.

(iii) Equity compensation benefits

The Group has a share option scheme which is part of the remuneration policy with rewards determined based upon the performance of the Group and individual employees. When options are granted, no compensation cost is recognised. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(v) Borrowing costs

Borrowing costs are charged to the income statement in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition and development of properties or land which necessarily take a substantial period of time to complete.

(w) Cash and cash equivalents

Cash comprises cash on hand and deposits repayable on demand with any bank or other financial institution. Cash includes deposits denominated in foreign currencies.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(x) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the relevant asset is carried at revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation reserve under that SSAP.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed unless 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.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(y) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segment be presented as the primary reporting format and geographical segment as the secondary reporting format.

(z) 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.

(aa) Recognition of revenue

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:

- for 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;
- for rendering of services, when services are provided;
- for royalty income, on an accrual basis in accordance with the substance of the relevant agreement;
- for interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- for rental income, on a straight-line basis over the lease terms.

4. TURNOVER AND OTHER REVENUE

		2003	**2002**
		HK$'000	*HK$'000*
(a)	**Turnover:**		
	Continuing operations		
	Information technology business	159,575	128,832
	Provision of financial information and related services	42,262	11,029
	Royalty income	28,302	27,777
	Property investment	2,883	3,259
	Hotel operations	35,472	13,409
	Online education services	2,760	–
	Provision of electronic manufacturing services	36,544	64,648
	Sales of consumer electronic products	64,032	147,104
	Sales of securities	17,219	68,280
		389,049	464,338
	Discontinued operations		
	Sales of telecommunication products	–	3,586
		389,049	467,924
(b)	**Other revenue:**		
	Write back of impairment losses on a property development project (note 17(d))	–	59,298
	Interest income	3,691	7,229
	Gain on disposal of proprietary software	13,606	–
	Gain on disposal of other investment	1,735	–
	Gain on waiver of amount due to a creditor	–	4,989
	Negative goodwill recognised as income	18,158	10,566
	Surplus on revaluation of properties under development	6,645	–
	Sundry income	440	7,249
		44,275	89,331
	Total revenue	433,324	557,255

The Group's telecommunication business segment was discontinued with effect from September 2001 and accordingly, the manufacture and trading operations in telecommunication products of the Group were treated as discontinued operations.

5. SEGMENT INFORMATION

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

In accordance with the Group's internal financial reporting policy, its segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

Summary details of the business segments are as follows:

(a) Provision of financial information and related services

(b) Information technology business

(c) Consumer packaged electronics

(d) Electronic manufacturing services

(e) Property development

(f) Sales of securities

(g) Hotel operations

(h) Property investment

(i) Online education services

(j) The corporate and other segments comprise operations other than those as specified above

(k) Telecommunication products

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.

There were no inter-segment sales and transfers between segments (2002: NIL).

(a) Business segments

The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 March 2003:

	Continuing operations										Discontinued operations		
	Provision of financial information and related services	**Information technology business**	**Consumer packaged electronics**	**Electronic manufacturing services**	**Property development**	**Sales of securities**	**Hotel operations**	**Property investment**	**Online education services**	**Other segments**	**Telecom-munication products**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	70,564	159,575	64,032	36,544	–	17,219	35,472	2,883	2,760	–	–	–	389,049
Segment results	26,561	12,163	(15,618)	(5,617)	(21,893)	(549)	(1,516)	(11,417)	(6,254)	(482)	–	–	(24,622)
Interest and sundry income													4,131
Gain on disposal of a jointly controlled entity			3,403										3,403
Gain/(Loss) on disposal of subsidiaries			26,723		(16,525)								10,198
Gain on disposal of other investments		1,735											1,735
Gain on disposals of property development projects					117,778								117,778
Unallocated corporate expenses													(55,202)
Profit from operations													57,421
Finance costs													(41,161)
Liabilities waived by a director		30,000											30,000
Share of results of associates					(374)					(358)		374	(358)
Profit before taxation													45,902
Taxation													(6,488)
Profit before minority interests													39,414
Minority interests													(25,569)
Profit attributable to shareholders													13,845

The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 March 2003 (Continued):

	Continuing operations										Discontinued operations		
	Provision of financial information and related services	Information technology business	Consumer packaged electronics	Electronic manufacturing services	Property development	Sales of securities	Hotel operations	Property investment	Online education services	Other segments	Telecom-munication products	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	446,215	110,653	39,371	118,033	4,313,465	445	501,290	152,884	6,202		395		5,688,953
Unallocated assets													240,220
Interest in associates					209,223		(765)			(7,480)		(209,223)	(8,245)
Total assets													5,920,928
Segment liabilities	(8,822)	(34,638)	(12,484)	(8,693)	(490,076)	(10,625)	(81,381)	(2,016)	(662)		(2,357)		(651,754)
Unallocated liabilities													(1,574,792)
Total liabilities													(2,226,546)
Other information													
Capital expenditure	433	10,740	1,807	26	72,621	-	233,124	-	147	28,147	-	-	347,045
Depreciation and amortisation	29,714	10,619	6,518	5,378	15,791	-	5,411	94	898	2,919	-	-	77,342
Negative goodwill recognised as income	-	-	-	-	18,158	-	-	-	-	-	-	-	18,158

The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 March 2002:

	Continuing operations										Discontinued operations		
	Provision of financial information and related services	Information technology business	Consumer packaged electronics	Electronic manufacturing services	Property development	Sales of securities	Hotel operations	Property investment	Online education services	Other segments	Telecom-munication products	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	38,806	128,832	147,104	64,648	-	68,280	13,409	3,259	-	-	3,586	-	467,924
Segment results	(3,150)	11,925	(40,493)	(2,473)	(19,395)	(9,699)	(664)	1,342	(3,207)	-	(7,001)	-	(72,815)
Other revenue													89,331
Gain on deemed partial disposal of a subsidiary			13,663	6,004							333		20,000
Unallocated corporate expenses													(98,007)
Loss from operations													(61,491)
Liabilities waived by unsecured creditors			81,350								8,429		89,779
Loan waived by a minority shareholder													25,000
Finance costs													(47,619)
Share of results of associates					(403)					(441)		403	(441)
Profit before taxation													5,228
Taxation													(5,333)
Loss before minority interests													(105)
Minority interests													(32,383)
Loss attributable to shareholders													(32,488)

The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 March 2002 (Continued):

	Continuing operations										Discontinued operations		
	Provision of financial information and related services	Information technology business	Consumer packaged electronics	Electronic manufacturing services	Property development	Sales of securities	Hotel operations	Property investment	Online education services	Other segments	Telecom-munication products	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	412,129	82,923	44,597	95,069	4,116,241	1,767	354,278	100,318	8,972	28,269	401		5,244,964
Unallocated assets													190,188
Interest in a jointly controlled entity													89
Interest in associates					209,597					(7,426)		(209,597)	(7,426)
Total assets													5,427,815
Segment liabilities	(4,851)	(13,379)	(20,556)	(13,359)	(691,153)	(45,379)	(40,590)	(940)	(1,131)	(73,803)	(2,357)	93,093	(814,405)
Unallocated liabilities													(1,019,862)
Total liabilities													(1,834,267)
Other information													
Capital expenditure	405,011	12,195	13,269	928	3,045,999	-	19,324	102	-	-	-	-	3,496,828
Depreciation and amortisation	19,533	8,140	13,350	6,942	12,768	-	3,756	76	1,032	3,892	176	-	69,665
Negative goodwill recognised as income	-	-	-	-	10,566	-	-	-	-	-	-	-	10,566

(b) Geographical segments

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

	Europe		United Kingdom/ North America		Hong Kong		PRC, other than Hong Kong		Philippines		Others		Total	
	2003	2002	2003	2002	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*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue														
Sales to external customers	3,104	31,261	12,922	77,954	89,602	71,078	255,124	181,508	22,850	–	5,447	106,123	389,049	467,924
Other segment information														
Segment assets	–	–	5,011	10,966	261,960	298,322	5,265,366	5,118,527	388,591	–	–	–	5,920,928	5,427,815
Capital expenditure	–	–	70	252	1,737	52,474	83,971	3,444,102	233,120	–	28,147	–	347,045	3,496,828

6(a). GAIN ON DEEMED PARTIAL DISPOSAL OF A SUBSIDIARY

Pursuant to a share placement agreement dated 31 July 2001, 20,000,000 shares of HK$1.00 each in Team Industrial Company Limited ("TIC"), a then wholly-owned subsidiary of South Sea Holding Company Limited ("South Sea"), a subsidiary of the Company, were allotted and issued to Pacific Gloria Limited, an independent third party, at a cash consideration of HK$20,000,000. The shares issued represented 35% of the enlarged share capital and rank pari passu with the then existing shares of TIC. This transaction resulted in a gain on deemed partial disposal of a subsidiary of HK$20,000,000 for the year ended 31 March 2002.

6(b). LIABILITIES WAIVED BY A DIRECTOR

On 31 March 2003, the Group was informed by Mr. Yu in writing that Mr. Yu agreed to reimburse certain advertising and promotional expenses incurred by the Group for the current and previous years to the extent of HK$30,000,000 by waiving an amount equal to HK$30,000,000 due to him by the Group unconditionally. This gave rise to a gain of HK$30,000,000 which has been recognised in the consolidated income statement.

6(c). LIABILITIES WAIVED BY UNSECURED CREDITORS

During the year ended 31 March 2002, the Group entered into a Scheme of Arrangement with the unsecured creditors of Team Concept Manufacturing Limited ("TCM"), a then wholly-owned subsidiary of South Sea, pursuant to which the Group's liabilities due to these unsecured creditors were discharged by the following:

- payment of cash totalling approximately HK$116,000;
- issue by South Sea of 106,531,974 shares of HK$0.10 each in the share capital of South Sea, credited as fully paid at par; and
- issue by South Sea of convertible debentures of an aggregate amount of HK$10,653,000 in value.

The Scheme of Arrangement, details of which are set out in a circular issued by TCM dated 13 June 2001 and an announcement issued by South Sea dated 5 October 2001, resulted in a total gain of approximately HK$89,779,000 in previous year.

6(d). LOAN WAIVED BY A MINORITY SHAREHOLDER

The loan was due to a minority shareholder of a subsidiary of the Company. On 25 March 2002, the Group was informed by the minority shareholder in writing that the minority shareholder agreed to waive the loan unconditionally. This gave rise to a gain of HK$25,000,000 which was recognised in the consolidated income statement in last year.

7. DISCONTINUED OPERATIONS

With effect from September 2001, the Group ceased its operations of manufacture and trading of telecommunication products.

The results from the operations of the telecommunication products included in the consolidated income statement are as follows:

	2003	**2002**
	HK$'000	*HK$'000*
Turnover	–	3,586
Cost of sales	–	(6,727)
Gross profit	–	(3,141)
Other revenue	–	1,761
Gain on deemed partial disposal of a subsidiary	–	333
Engineering expenses	–	(156)
Administrative expenses	–	(4,972)
Other operating expenses	–	(409)
Loss from operations	–	(6,584)
Finance costs	–	(613)
Liabilities waived by unsecured creditors	–	8,429
Profit before taxation	–	1,232
Taxation	–	(10)
Profit attributable to shareholders	–	1,222

The net cash flows attributable to the business of telecommunication products included in the consolidated cash flow statement are as follows:

	2003 *HK$'000*	2002 *HK$'000*
Operating activities	5	8,111
Investing activities	–	–
Financing activities	–	–
Net cash inflows	5	8,111

8. PROFIT/(LOSS) FROM OPERATIONS

	2003 *HK$'000*	2002 *HK$'000*
Profit/(Loss) from operations is arrived at after charging:		
Auditors' remuneration	3,262	4,527
Depreciation:		
Owned property, plant and equipment	29,691	31,402
Leased property, plant and equipment	61	649
	29,752	32,051
Operating lease rentals on land and buildings	15,750	20,154
Staff costs (excluding directors' remuneration)	125,728	100,512
Redundancy cost	554	782
Retirement benefits contributions:		
Gross retirement benefit contributions	3,815	1,366
Less: forfeited contributions	(467)	(939)
Net retirement benefit contributions	3,348	427
Cost of provision of hotel services	18,034	6,801
Cost of provision of information technology business	80,250	40,155
Cost of provision of financial information and related services	7,665	4,222
Cost of provision of proprietary software	1,603	8,777
Cost of inventories sold – telecommunication products	–	6,727
Cost of inventories sold – consumer electronic products	44,254	131,121
Cost of provision of electronic manufacturing services	31,755	62,103
Cost of inventories sold – online education services	1,586	–
Cost of securities sold	17,332	77,368
Cost of sales and services provided	202,479	337,274
Deficit on revaluation of investment properties	6,000	4,500
Deficit on revaluation of hotel properties	9,415	8,448
Deficit on revaluation of properties under development	–	10,968
Impairment losses on land and buildings	1,174	–
Impairment losses on land held for development	7,055	6,172
Provision for bad and doubtful debts	11,526	19,679
Loss on disposal of property, plant and equipment	12,668	6,155
Underwriting fee	–	10,000
Amortisation of goodwill	39,716	27,399
Amortisation of product development costs	3	5,127
Amortisation of proprietary software	7,871	5,088
Write off of bad debts	18,517	–
Write off of product development costs	–	917

9. FINANCE COSTS

	2003	2002
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts		
– wholly repayable within five years	68,325	29,350
– not wholly repayable within five years	6,136	4,187
Other loans, payables and convertible notes		
– wholly repayable within five years	23,293	26,083
Finance leases	84	156
	97,838	59,776
Less: Amounts directly attributable to land held for development capitalised	(56,677)	(12,157)
	41,161	47,619

10. TAXATION

The tax charge comprises:

	2003	2002
	HK$'000	*HK$'000*
Company and subsidiaries:		
Overseas – current income taxes	6,488	5,333

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any assessable profit for the year. Overseas income taxes are provided in accordance with the legislations and tax rates prevailing in the respective overseas countries.

The amount of estimated unprovided deferred tax (charge)/credit for the year is as follows:

	2003	2002
	HK$'000	*HK$'000*
Tax effect of timing differences attributable to:		
Accelerated depreciation allowances	27	(11)
Tax losses	(7,748)	51,871
	(7,721)	51,860

11. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit/(loss) attributable to shareholders, a loss of HK$154,867,000 (2002: HK$660,412,000) is dealt with in the financial statements of the Company.

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on profit attributable to shareholders of HK$13,845,000 (2002: a loss of HK$32,488,000) and on the weighted average of 13,914,504,877 (2002: 9,158,340,492) ordinary shares in issue during the year.

Diluted earnings per share for both years ended 31 March 2003 and 2002 are not presented because the impact of the exercise of the share options and convertible notes is anti-dilutive.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel properties HK$'000	Properties under development HK$'000	Investment properties HK$'000	Land and buildings HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles and pleasure yacht HK$'000	Total HK$'000
Cost or valuation							
At 1 April 2002	75,000	231,000	99,500	88,210	224,980	8,821	727,511
Additions	–	8,996	–	–	13,730	60	22,786
Acquisition of subsidiaries	235,040	–	–	–	304	–	235,344
Disposal of subsidiaries	–	–	–	–	(2,978)	–	(2,978)
(Deficit)/Surplus on revaluation charged to the consolidated income statement	(9,415)	6,645	(6,000)	–	–	–	(8,770)
Disposals	–	–	–	(23,783)	(64,560)	(428)	(88,771)
Exchange differences	(505)	4,359	–	–	2,355	60	6,269
At 31 March 2003	300,120	251,000	93,500	64,427	173,831	8,513	891,391
Accumulated depreciation and amortisation and impairment losses							
At 1 April 2002	–	–	–	16,634	156,925	7,366	180,925
Depreciation and amortisation charge for the year	–	–	–	1,839	27,502	411	29,752
Impairment losses charged to the consolidated income statement	–	–	–	1,174	–	–	1,174
Disposal of subsidiaries	–	–	–	–	(2,717)	–	(2,717)
Disposals	–	–	–	(4,521)	(55,560)	(428)	(60,509)
Exchange differences	–	–	–	–	1,644	41	1,685
At 31 March 2003	–	–	–	15,126	127,794	7,390	150,310
Net book value							
At 31 March 2003	300,120	251,000	93,500	49,301	46,037	1,123	741,081
At 31 March 2002	75,000	231,000	99,500	71,576	68,055	1,455	546,586

The analysis of the cost or valuation of the above assets is as follows:

	Hotel properties HK$'000	Properties under development HK$'000	Investment properties HK$'000	Land and buildings HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles and pleasure yacht HK$'000	Total HK$'000
At cost	–	–	–	61,602	173,831	8,513	243,946
At professional valuation	300,120	251,000	93,500	2,825	–	–	647,445
At 31 March 2003	300,120	251,000	93,500	64,427	173,831	8,513	891,391

Company

	Leasehold improvements, furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost			
At 1 April 2002	1,920	674	2,594
Additions	2	–	2
At 31 March 2003	1,922	674	2,596
Accumulated depreciation			
At 1 April 2002	1,423	645	2,068
Charge for the year	287	27	314
At 31 March 2003	1,710	672	2,382
Net book value			
At 31 March 2003	212	2	214
At 31 March 2002	497	29	526

(a) The Group's hotel properties are situated in the PRC and the Philippines and held under long term leases. They were valued by DTZ Debenham Tie Leung Limited and Vigers Hong Kong Limited, independent professional valuers, at 31 March 2003 on an open market value basis and a fully operational hotel entity basis respectively. The total deficit of HK$9,415,000 arising from the revaluation of hotel properties, representing the shortfall of the revalued amounts below the carrying values of the hotel properties, has been charged to the consolidated income statement.

At 31 March 2003, all of the Group's hotel properties were pledged to secure banking facilities granted to the Group.

The Group's properties under development are situated in the PRC and held under long term leases. They were valued by DTZ Debenham Tie Leung Limited, independent professional valuers, at 31 March 2003 on an open market value basis. The surplus of HK$6,645,000 arising from the revaluation of properties under development, representing the excess of the revalued amounts over the carrying values of the properties under development, has been credited to the consolidated income statement.

At 31 March 2003, all of the Group's properties under development were pledged to secure banking facilities granted to the Group.

Particulars of the hotel properties and the properties under development are set out below:

Location	**Uses**
Beijing Golden Era Hotel ("Hotel") and the proposed extension ("Proposed Extension"), No. 1 Dong San Huan South Road, Chao Yang District, Beijing, the PRC	The Hotel is operated as a local class hotel and the Proposed Extension is under development

The hotel properties and the properties under development were originally owned by a PRC party and subsequently transferred to Beijing Golden Era Hotel Limited, a wholly-owned subsidiary of the Company (note 14). However, the legal titles of these properties have not yet been changed to the subsidiary as at the year end date.

The Land Use Rights Certificate of the land will be granted upon full settlement of the land premium payables amounting to HK$27,359,000 (2002: HK$26,852,000) as at 31 March 2003.

Location	**Uses**
Manila Pavilion Hotel (formerly Holiday Inn Manila), United Nations Avenue, Ermita, Metro Manila, Philippines	The hotel has complied with the requirements prescribed by the Department of Tourism of Philippines and has been granted a licence to operate as a "Standard Class" hotel

The site on which the hotel is situated containing an area of approximately 6,500 square metres is covered by Transfer of Title No. 184100 issued in favour of CIMA Realty Philippines, Inc. ("CIMAR"), an associate of the Group on 25 January 1989 by the Registry of Deeds for the City of Manila.

In January 1989, Acesite (Phils.) Hotel Corporation ("Acesite"), a subsidiary of the Company, listed on the Philippine Stock Exchange in the Philippines executed a Deed of Assignment with CIMAR assigning to the latter the right to purchase the land on which the Acesite's hotel building is situated, from Government Service Insurance System (GSIS) under certain conditions which would allow Acesite to leaseback the land.

Subsequently, CIMAR acquired and paid for the purchase price of the land to GSIS. On 17 January 1989, a contract of lease for the land was executed between Acesite and CIMAR for a period of ten years with an annual rental of about PHP1.3 million. Moreover, Acesite has the right to purchase the land from CIMAR and assign its rights to purchase the land to any third party at any time during the term of the lease. In May 1989, the contract was amended extending the period of the lease to twenty years and increasing the annual rental to about PHP6.1 million.

(b) The Group's investment properties are all situated in Hong Kong and are held under long term leases. They were valued by Vigers Hong Kong Limited, independent professional valuers, at 31 March 2003 on an open market existing use basis at HK$93,500,000. The deficit of HK$6,000,000 arising from the revaluation of investment properties, representing the shortfall of the revalued amounts below the carrying values of these properties, has been charged to the consolidated income statement.

At 31 March 2003, all of the Group's investment properties were pledged to secure banking facilities granted to the Group.

(c) Certain of the Group's land and buildings were valued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 19 March 1993.

The cost or valuation of the Group's land and buildings comprise the following:

	Hong Kong	**Outside Hong Kong**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Medium term leasehold			
At cost	–	61,602	61,602
At 1993 professional valuation	2,825	–	2,825
	2,825	61,602	64,427

At 31 March 2003, all of the Group's land and buildings were pledged to secure banking facilities granted to the Group.

(d) The net book value of the property, plant and equipment of the Group held under finance leases amounted to HK$182,000 (2002: HK$938,000) as at 31 March 2003.

14. INTERESTS IN SUBSIDIARIES

	Company 2003 HK$'000	2002 HK$'000
Unlisted shares, at cost	650,788	450,788
Less: Provision for impairment losses	(531,794)	(363,935)
	118,994	86,853
Amounts due from subsidiaries	4,025,562	3,859,890
Less: Provision for doubtful debts	(1,048,818)	(1,049,510)
	2,976,744	2,810,380
	3,095,738	2,897,233
Amounts due to subsidiaries	154,542	207,755

Included in the amounts due from subsidiaries are amounts of HK$145,000,000 (2002: HK$145,000,000) and HK$309,893,000 (2002: HK$276,339,000) which bear interest at 5% and 7% per annum respectively. Except for these, the balances with subsidiaries are unsecured, interest free and the Company has undertaken not to demand repayment within one year from 31 March 2003.

Certain amounts advanced to a subsidiary were pledged to secure the Group's credit facilities (note 39).

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

Particulars of the principal subsidiaries as at 31 March 2003 are as follows:

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	indirectly	Principal activities
Huckerbye Limited	British Virgin Islands/Hong Kong	US$1	100	–	Property investment
Linfield Properties Limited	British Virgin Islands	US$10,000	55	30	Investment holding
Rich Country Enterprises Limited	Hong Kong	HK$2	100	–	Property development
Sino-i.com (Shanghai) Limited ("Sino-i.com Shanghai") (note (d))	Hong Kong	HK$2	100	–	Investment holding
Airmount Limited	Hong Kong	HK$200	–	100	Property investment
Evallon Investment Limited	Hong Kong	HK$1,000,000	–	100	Investment holding
Ever Genius Development Limited	Hong Kong	HK$2	–	85	Investment in property development projects
Listar Properties Limited	British Virgin Islands	US$20,000,000	1	83.18	Investment holding

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
Honest Link Development Limited ("Honest Link")	Hong Kong	HK$2	–	84.18	Investment holding
Guangzhou Dong Jin Xin Cheng Properties Co., Ltd ("Dong Jin") (note (a))	PRC	US$14,000,000	–	84.18	Property development
Oriental Rise Limited	Hong Kong	HK$2	–	100	Property investment
Oriental Team Development Limited	Hong Kong	HK$2	–	100	Property investment
Topwide Corporation	British Virgin Islands	US$1	100	–	Investment holding
Swift Gain International Inc.	British Virgin Islands	US$1	100	–	Investment holding
Mark Chain Limited	Hong Kong	HK$2	–	100	Investment holding
北京世華國際金融信息有限公司 (「北京世華」) (note (b))	PRC	RMB130,000,000	–	80	Provision of financial information on the internet
Hampstead International Group Limited ("Hampstead") (note (b))	British Virgin Islands	US$1	–	100	Investment holding
CE Dongli Technology Company Limited (formerly深圳華企網信息產業發展有限公司and 深圳華企網實業發展有限公司) (「深圳華企網」) (note (b))	PRC	RMB100,000,000	–	76	Information technology business
Shenzhen Guonan Industrial Development Co., Ltd ("Shenzhen Guonan") (note (c))	PRC	RMB3,000,000	–	100	Investment holding
China Education Online Limited	Hong Kong	HK$2	–	100	Education portal
Dadi Entertainment Limited	Hong Kong	HK$2	–	100	Music broadcasting on the internet

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
Dadi Media Limited	Hong Kong	HK$2	100	–	Investment holding
Powerful Resources Limited	British Virgin Islands	US$1	–	100	Investment holding
China Enterprise ASP Limited	Hong Kong	HK$9,000,000	–	80	Investment holding
Seewaa (Hong Kong) Financial Information Company Limited	Hong Kong	HK$5,000,000	100	–	Provision for financial information on the internet
The Net Paper Limited	Hong Kong	HK$2	–	100	Internet newspaper
上海朗寧數碼投資有限公司 (「上海朗寧」) (notes (b) and (d))	PRC	US$30,000,000	–	100	Investment holding
Hancheers International Enterprise Limited ("Hancheers")	Hong Kong	HK$10,000	–	100	Investment holding
Rich King Inc.	British Virgin Islands	US$50,000	100	–	Investment holding
Beijing Chinese Dadi Distance Education Company Limited (note (e))	PRC	RMB10,154,174	–	80	Operation of an educational portal and provision of online distance learning education services
Beijing Golden Era Hotel Limited ("Golden Era Hotel") (note (f))	PRC	US$12,000,000	–	100	Hotel operation
Victorious Limited	British Virgin Islands	US$1	100	–	Investment holding
Robina Profits Limited	British Virgin Islands	US$1	100	–	Investment holding
Ko Tact Limited	British Virgin Islands	US$1	100	–	Investment holding
South Sea Holding Company Limited ("South Sea", a Hong Kong listed company)	Bermuda	HK$299,318,041	–	67.71	Investment holding

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
South Sea Development (HK) Limited	Hong Kong	HK$2	–	67.71	Investment holding
Team Industrial Company Limited	Hong Kong	HK$57,143,000	–	44.01	Investment holding and provision of management services
Team Concepts Marketing Limited	Hong Kong	HK$500,000	–	44.01	Design and marketing of electronic educational products
Team Concepts Technologies Limited	Hong Kong	HK$20	–	44.01	Design and marketing of consumer electronic products
Dong Guan Team Concepts Electronics Limited (note (g))	PRC	HK$40,000,000	–	35.21	Manufacture of consumer electronic products
Team Concepts (UK) Limited	The United Kingdom	GBP100	–	44.01	Provision of marketing services
Team Concepts Manufacturing Limited	Hong Kong	HK$500,000	–	44.01	Manufacture of consumer electronic products
Liu Wan Development (BVI) Company Limited ("Liu Wan (BVI)") (note (h))	British Virgin Islands	US$215,000,000	–	67.71	Investment holding
Liu Wan Investment Company Limited	Hong Kong	US$2	–	67.71	Investment holding
Shenzhen Liu Wan Industry Development Co., Ltd ("Shenzhen Liu Wan") (note (h))	PRC	RMB100,000,000	–	67.71	Investment holding and property development
Shenzhen Jin Yi Tian Industry Development Company Limited (formerly Shenzhen Jin Yi Tian Investment Company Limited) ("Shenzhen Jin Yi Tian") (note (i))	PRC	RMB18,000,000	–	67.71	Property development
South Port Development Limited	British Virgin Islands	US$100	100	–	Investment holding

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
First Foundation Limited	British Virgin Islands	US$10	100	–	Investment holding
Nickell International Limited	British Virgin Islands	US$1	–	100	Investment holding
Acesite Limited	British Virgin Islands	US$10	–	100	Investment holding
Acesite (Phils) Hotel Corporation (“Acesite”) (note (j))	Philippines	PHP99,852,308	–	77.67	Hotel operation

The above table lists the particulars of the subsidiaries of the Company which, in the opinion of the directors, principally affected the Group’s 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.

Notes:

(a) Dong Jin was a cooperative joint venture established under a joint venture agreement between Honest Link and a PRC party. Dong Jin is engaged in the undertaking of a property project which involves the development of a land site measuring approximately 1,000 acres by area. Pursuant to the joint venture agreement, in respect of the profits derived from the first 150 acres of land comprised in the first phase of the property development project, the co-joint venture partner would be entitled to a fixed profit of RMB13,090,000 and thereafter all residual profit in excess of RMB13,090,000 would be attributable to Honest Link. For the profits arising on the remaining phases of the project, Honest Link and the co-joint venture partner were entitled to share the profits at a ratio of 70% and 30% respectively.

Pursuant to a supplementary agreement entered into between Honest Link and the co-joint venture partner on 24 November 1993 which superseded the above arrangement, the co-joint venture partner has waived all of its 30% interest including profit-sharing and controlling interests in Dong Jin from the date of incorporation of Dong Jin in return for a pre-emptive return of RMB87,271,030. Pursuant to a supplementary agreement dated 28 December 2000, the co-joint venture partner agreed to waive the pre-emptive return of RMB87,271,030. Since then Honest Link has attained 100% share in profits and controlling interests in Dong Jin.

(b) 北京世華 is an equity joint venture established on 12 October 1999 for a period of 20 years, of which 98.8% and 1.2% equity interest were owned by a PRC party and Hampstead respectively. Pursuant to an agreement dated 21 June 2001, 上海朗寧 acquired 78.8% equity interest in 北京世華 from the PRC party. As part of the corporate structural arrangement, 深圳華企網 holds the 80% equity interest in 北京世華on trust for 上海朗寧, and as a result, 上海朗寧 effectively owns 80% interest in 北京世華.

(c) Shenzhen Guonan is an equity joint venture established for a period of 50 years commencing 28 April 1999 and in which the Group is entitled to 80% of its results. Pursuant to two agreements entered into between the Group and the PRC co-venturer on 15 June 1999 and 31 March 2000, the PRC co-venturer has agreed to waive its entitlement to 20% of the results in Shenzhen Guonan in return for a fixed annual fee of RMB10,000 and an undertaking from the Group to pay up RMB495,000 of the required capital contribution to Shenzhen Guonan to be fulfilled by the PRC co-venturer. In addition, the Group also has effective control over the composition of the board of directors of Shenzhen Guonan. Accordingly, Shenzhen Guonan was accounted for as a wholly-owned subsidiary of the Company.

(d) 上海朗寧 is an equity joint venture established on 4 April 2000 and has been approved by the government authority in Shanghai to operate for a period of 42 years up to 3 April 2042. Under a joint venture agreement entered into between a PRC party and Sino-i.com Shanghai which hold 40% and 60% equity interest in上海朗寧 respectively, and under a deed of trust dated 1 April 2001 executed by the PRC party in favour of Sino-i.com Shanghai, Sino-i.com Shanghai is the beneficial owner of the 40% equity interest held by the PRC party, and as a result, Sino-i.com Shanghai effectively owns 100% equity interest in上海朗寧.

(e) Beijing Chinese Dadi Distance Education Company Limited is an equity joint venture established in the PRC for a term of 20 years starting from 23 December 1999.

(f) Golden Era Hotel was an equity joint venture established under a joint venture agreement between Hancheers and a PRC party. Golden Era Hotel is engaged in the operations of hotel and restaurants in the PRC. Pursuant to the joint venture agreement, Hancheers and the PRC party were required to contribute to the registered capital of Golden Era Hotel in the ratio of 49% and 51% respectively.

According to the business license issued by the Administration of Industry and Commerce Bureau on 18 October 1999, Golden Era Hotel was authorised to operate for a period of 30 years from 18 September 1998 to 17 September 2028.

Pursuant to an agreement dated 16 January 1999, Hancheers transferred its 19% capital contribution in Golden Era Hotel for nil consideration to the PRC party, reducing its equity interest in Golden Era Hotel from 49% to 30%.

According to a supplementary agreement dated 20 November 2000, Golden Era Hotel was changed from an equity joint venture to a cooperative joint venture. Under the supplementary agreement, Hancheers was required to contribute the entire registered capital of US$12,000,000 of Golden Era Hotel and was entitled to 70% share of the profits and losses, whilst the PRC party was entitled to the remaining 30% share of the profits and losses. In addition, the PRC party has agreed to contribute all its assets and liabilities (including the ownership of the hotel properties, its extension and other assets) to Golden Era Hotel.

Pursuant to an agreement dated 6 March 2001, the PRC party has waived all its profit sharing interest in Golden Era Hotel from the date of incorporation of Golden Era Hotel in return for a yearly payment of RMB10,000. As a result, Hancheers effectively owns 100% equity interest in Golden Era Hotel.

(g) Dong Guan Team Concepts Electronics Limited was established as a cooperative joint venture in the PRC for a term of 30 years commencing from 5 June 1992. Upon the expiry of the term of the joint venture, the land and buildings of the joint venture will be taken over by the PRC party while the remaining assets will be taken over by the Group. The Group's profit entitlement in the joint venture is 52% of the retained profits.

(h) Shenzhen Liu Wan was a cooperative joint venture established for a period of 50 years up to April 2049 under a joint venture agreement dated 28 March 2000 among Shenzhen Golden Era Industry Development Co., Ltd. ("Shenzhen Golden Era"), Liu Wan (BVI), Liu Wan Investment Company Limited (a subsidiary of Liu Wan (BVI)) and a PRC party. Pursuant to the agreement, Shenzhen Golden Era injected a land site in Shenzhen into Shenzhen Liu Wan in return for a 10% entitlement of profit sharing in Shenzhen Liu Wan. According to an agreement dated 30 April 2000, the PRC party transferred all of its 5% interest including the profit-sharing and control in Shenzhen Liu Wan to Liu Wan (BVI) for a consideration of RMB321,000,000. According to an agreement dated 10 August 2000, Shenzhen Golden Era transferred all its 10% profit-sharing interest in Shenzhen Liu Wan to Liu Wan (BVI) for a consideration of HK$500,000,000. As a result of the above, Liu Wan (BVI) directly and indirectly owns 100% equity interest in Shenzhen Liu Wan.

(i) Shenzhen Jin Yi Tian is a PRC enterprise established on 28 January 1997 for a period of 10 years up to 28 January 2007. Pursuant to an agreement dated 2 September 1999, Shenzhen Liu Wan and a PRC party acquired 90% and 10% respectively of the equity interest in Shenzhen Jin Yi Tian. Pursuant to an agreement dated 21 March 2001, the PRC party agreed to waive unconditionally its 10% equity interest in Shenzhen Jin Yi Tian and as a result, Shenzhen Liu Wan effectively owns 100% equity interest in Shenzhen Jin Yi Tian.

(j) Acesite is a company listed on the Philippine Stock Exchange in the Philippines. Acesite is engaged in the business of operating a hotel which used to operate under the trade name of Holiday Inn Manila. With effect from 1 March 2003, Holiday Inns (Phils.), Inc. ("Holiday Inn") decided to terminate its hotel management agreement with Acesite. As a result, Acesite assumed the management of the hotel operations and changed the hotel's trade name from Holiday Inn Manila to Manila Pavilion Hotel.

The holding company of Acesite is Acesite Limited, a company incorporated in the British Virgin Islands.

Acesite's 74,889,231 issued common shares (representing 75% of its total outstanding common shares) held by Acesite Limited were pledged in favour of Equitable PCI Bank, Inc. ("EPCIB") as security for loans granted by EPCIB to Genius Reward Company Limited, an associate of the Group. On 18 February 2003, EPCIB foreclosed the 74,889,231 common shares and sold them as a block sale in the Philippine Stock Exchange. Acesite Limited has contested the sale, stating that an earlier restructuring agreement was entered into with EPCIB on 15 January 2003 rendering both the foreclosure action and subsequent sale null and void. Details of the litigation are disclosed in note 41 to the financial statements.

15. INTERESTS IN ASSOCIATES

	Group		Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	563	(633)	–	–
Amounts due from associates	–	–	20,182	19,794
Amounts due to associates	(8,808)	(6,793)	–	–
Less: Provision	–	–	(3,150)	(1,380)
	(8,245)	(7,426)	17,032	18,414

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

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

Name	Country/Place of incorporation and operations	Percentage of equity attributable to the Group	Principal activity
Genius Reward Company Limited	Hong Kong	50	Dormant
CIMA Realty Philippines, Inc.	Philippines	40	Property investment

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group 2003 HK$'000	Group 2002 HK$'000
Share of net assets	–	–
Amount due from a jointly controlled entity	–	89
	–	89

The amount due from a jointly controlled entity represented trade receivable due from Juguetes Electronicos Avanzados S.L. (a former 50% owned jointly controlled entity of the Group) which was unsecured, interest-free and repayable on demand.

During the year, the Group disposed of its interest in the jointly controlled entity to a third party for a consideration of HK$3,492,000, resulting in a gain on disposal of HK$3,403,000.

17. OTHER INVESTMENTS

	Group 2003 HK$'000	Group 2002 HK$'000	Company 2003 HK$'000	Company 2002 HK$'000
Unlisted investment securities in the PRC, at cost	1,523	1,523	1,523	1,523
Consideration for acquisitions of investments (note (a))	20,583	13,808	–	–
Advances to prospective investee companies (note (a))	46,246	28,746	–	–
Deposit for acquisition of investments (note (b))	100,000	–	–	–
Options to acquire shares (note (c))	120,000	120,000	–	–
Club debenture, at cost	324	324	324	324
Interests in property development projects (note (d))	–	72,222	–	–
	288,676	236,623	1,847	1,847

Notes:

(a) The consideration for acquisitions of investments represents consideration paid for the acquisitions of interests in certain PRC companies. The Group has also made advances of HK$46,246,000 (2002: HK$28,746,000) to these prospective investee companies. As at 31 March 2003, the acquisitions have not yet been completed and pending for the official approval from the relevant governmental authorities.

(b) The amount represented the deposit paid for the acquisition of 100% equity interest in Yat Tai Resources Limited ("Yat Tai"), which is an investment holding company incorporated in the British Virgin Islands. The major asset of Yat Tai is a 95% interest in a PRC joint venture which is principally engaged in property investment and development. As at 31 March 2003, the acquisition has not yet been completed and pending for fulfilment of certain conditions.

(c) Options to acquire shares

Options to acquire shares (the "Option") were held by Powerful Resources Limited ("Powerful Resources"), a wholly-owned subsidiary of the Company, and were exercisable during the period from 15 October 2000 to 15 January 2001 for the acquisition from CITIC Guoan Group Company Limited ("CITIC Guoan") of 96 million shares (the "Option Shares") in CITIC Guoan Information Industry Company Limited ("Guoan Information"), representing 23.32% of the founders' share capital of Guoan Information. Guoan Information is a PRC company listed on the Shenzhen Stock Exchange and engaged in the provision of financial and securities information, the operation of cable network systems, satellite communication and mobile communication networks.

The total consideration payable upon exercise of the Option (the "Exercise Price") is RMB268.8 million (approximately HK$251 million) subject to adjustment upwards by an amount equivalent to the excess of the net asset value of the Option Shares as reflected in the latest audited financial statements of Guoan Information prior to the date of the actual transfer over the amount of RMB268.8 million. In this respect, Mr. Yu, the vendor of Powerful Resources, has undertaken amongst other things to hold himself fully liable to pay the Exercise Price in return for a consideration of HK$870 million payable by the Group for the acquisition of Powerful Resources. The consideration of HK$870 million is to be settled by the issue to Mr. Yu 1,450,000,000 new shares in the Company at HK$0.60 per share, out of which 200,000,000 shares were issued in a prior year upon completion of the Powerful Resources acquisition and the remaining 1,250,000,000 consideration shares will be issued upon the successful exercise of the Option.

Because Guoan Information is a state-owned enterprise, the transfer of the Option Shares is subject to, amongst other things, approval of the relevant PRC Bureaus and the China Securities Regulatory Commission. As at 31 March 2003, the Option Shares have not been transferred subject to the approval of the relevant PRC Bureau and the China Securities Regulatory Commission. Pursuant to a written confirmation dated 15 October 2002, CITIC Guoan agreed to further extend the option share transfer period to 15 October 2003 without additional consideration. In this connection, Mr. Yu has undertaken to recompense the Group by paying a sum of HK$120 million (i.e. the equivalent of the cost of Option investment recognised by the Group) to the Group in the event that the Option turns out to be non-exercisable.

(d) Interests in property development projects

In a prior year, the Group acquired the beneficial interests, rights and obligations in property development projects undertaken by Nanjing Hanxi Real Estate Development Co., Ltd. ("Nanjing Hanxi"), a company wholly owned by King Corporation Limited (formerly CIM Company Limited)* ("King Corporation"). Interests in the property development projects represented the capital contribution and advances made for financing the project undertakings. Included in the interests in property development projects was a loan advance of HK$40,595,000 made to Nanjing Hanxi for the purpose of financing the construction cost of the project, which was unsecured, interest-free and repayable on demand.

Pursuant to an agreement dated 25 March 2002, King Corporation agreed to undertake all the liabilities and contingencies arising from the property development projects in Nanjing Hanxi. Accordingly, the provision of HK$59,298,000 made against the property development project in prior years has been written back during last year.

During the year, the interests in property development projects were disposed of to a third party for a total consideration of HK$190,000,000 resulting in a gain on disposal of approximately HK$117,778,000.

* King Corporation was a former substantial shareholder of the Company in which Mr. Yu held directorship/beneficial shareholdings during the year.

18. LAND HELD FOR DEVELOPMENT

		Group	
		2003	**2002**
	Notes	*HK$'000*	*HK$'000*
Land held in Hong Kong, at cost	(a)	102,981	102,981
Less: Impairment		(44,193)	(37,138)
		58,788	65,843
Land held in the PRC, at cost	(b)	3,699,379	3,628,130
		3,758,167	3,693,973
Interest capitalised in land held for development		192,440	135,763

Particulars of the land held for development are as follows:

(a) Land held in Hong Kong

Location	Interest attributable to the Group in percentage	Approximate floor area on completion (square metres)	Type of development
Nos 6, 8, 10 and 12 Leighton Road, Causeway Bay, Hong Kong	48.99	6,692	Commercial

At 31 March 2003, the land held in Hong Kong was pledged to secure general banking facilities granted to the Group.

(b) Land held in the PRC

Location	Approximate site area (acres)	Type of development
Guang Hua Gong Lu, Hua Du City, Guangdong Province, the PRC	920	Commercial and residential

The land is a vacant site. The Group has obtained the Land Use Rights Certificates from the PRC Government of Hua Du City, in respect of land with a total area of 229 acres under 70 years lease terms. The Land Use Rights Certificates of the remaining land with a total area of 691 acres would be granted upon full settlement of land premium payables. As at 31 March 2003, the Group had land premium payables in the amount of HK$110,668,000 (2002: HK$122,489,000).

At 31 March 2003, certain parts of the land were pledged to secure general banking facilities granted to the Group.

Location	Approximate site area (square metres)	Type of development
Liu Wan, Shekou, Shenzhen, the PRC (Lot No. K708-5, K708-2 and K708-3)	313,074	Shopping arcade/ residential/hotel/ recreational facilities

The land is a vacant site.

Pursuant to the Real Property Ownership Certificate, the land use rights of the land site Lot No. K708-5 with an area of approximately 220,691 square metres for a term of 70 years from 1 January 1996 to 1 January 2066 was vested in Shenzhen Liu Wan, a subsidiary of the Company.

The Land Use Right Certificate of the land site Lot No. K708-2 and K708-3 with an aggregate area of approximately 81,488 square metres will be granted upon full settlement of the land premium payables amounting to HK$163,606,000 (2002: HK$160,576,000) as at 31 March 2003.

In the prior year, Shenzhen Liu Wan and a third party entered into a cooperative agreement to develop the residential project in Liu Wan. Upon completion of the project, the third party will be entitled to 40% profit on the project. At 31 March 2003, the total deposit received from the third party for the project amounted to HK$28,695,000 (2002: HK$28,163,000) which is included under non-current liabilities in the consolidated balance sheet.

At 31 March 2003, the land Lot No. K708-5 was pledged to secure general banking facilities granted to the Group.

19. INTANGIBLE ASSETS

Group

	Product development costs HK$'000	Proprietary software HK$'000	Negative goodwill HK$'000	Goodwill HK$'000	Total HK$'000
Cost/Gross amount					
At 1 April 2002	13,896	39,353	(363,151)	710,344	400,442
Acquisition of subsidiaries	–	–	(160)	139,227	139,067
Additions	120	–	–	–	120
Disposals	(13,838)	(39,353)	–	–	(53,191)
Disposal of a subsidiary	–	–	–	(3,723)	(3,723)
At 31 March 2003	178	–	(363,311)	845,848	482,715
(Accumulated amortisation)/ Accumulated amount recognised as income					
At 1 April 2002	(5,127)	(5,088)	10,566	(32,523)	(32,172)
Amortisation charge for the year	(3)	(7,871)	–	(39,716)	(47,590)
Amount recognised as income during the year	–	–	18,158	–	18,158
Disposals	5,127	12,959	–	–	18,086
Disposal of a subsidiary	–	–	–	170	170
At 31 March 2003	(3)	–	28,724	(72,069)	(43,348)
Carrying value					
At 31 March 2003	175	–	(334,587)	773,779	439,367
At 31 March 2002	8,769	34,265	(352,585)	677,821	368,270

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

20. INVENTORIES

	Group 2003 HK$'000	Group 2002 HK$'000
Raw materials	816	48,485
Work in progress	760	12,247
Finished goods	9,947	23,578
Goods in transit	1,074	12
	12,597	84,322
Less: Provision for slow-moving inventories	(5,102)	(53,659)
	7,495	30,663

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

21. SHORT TERM INVESTMENT

	Group 2003 HK$'000	Group 2002 HK$'000
Listed equity securities in Hong Kong, at fair value	398	1,649
Market value of listed investment	398	1,649

22. TRADE AND OTHER RECEIVABLES

	Group 2003 HK$'000	Group 2002 HK$'000
Trade receivables, analysed according to aging:		
0-90 days	61,713	14,271
91-180 days	75,476	39,597
181-270 days	4,003	1,740
271-360 days	2,177	2,992
Over 360 days	43,251	24,553
Less: Provisions	(21,124)	(18,877)
	165,496	64,276
Prepayments, deposits and other receivables	460,586	208,365
Less: Provisions	(9,667)	(8,074)
	450,919	200,291
	616,415	264,567

For hotel operations, the normal credit period granted is 90 days. For sales of telecommunication and consumer electronic products, the majority of sales are entered into under letters of credit while the rest are entered into on credit terms ranging from 30 to 60 days. For operations of information technology business and provision of financial information and related services, the normal credit period granted ranges from 30 to 60 days. During the years 2002 and 2003, the Group encountered difficulties in collection of certain trade debts and appropriate provision has been made against certain bad and doubtful debts.

23. AMOUNTS DUE FROM RELATED COMPANIES

Particulars of the amounts due from related companies disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Group

	1 April 2002 HK$'000	31 March 2003 HK$'000	Maximum amount outstanding during the year HK$'000
Nanjing Hanxi Real Estate Development Co., Ltd.	29,828	10,023	29,942
Sitechasia (Beijing) Network Software Development Co., Ltd.	891	1,082	1,082
	30,719	11,105	

Mr. Yu, holds directorship and beneficial equity interests in these companies.

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

24. CASH AT BANKS AND IN HAND

Included in cash at banks and in hand is an aggregate amount of approximately HK$45,414,000 (2002: HK$243,681,000), representing Renminbi deposits placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Trade payables, analysed according to aging:		
0-90 days	9,592	8,926
91-180 days	2,238	5,618
181-270 days	570	2,458
271-360 days	199	269
Over 360 days	3,910	2,050
	16,509	19,321
Other payables and accruals	354,011	264,363
	370,520	283,684

Included in other payables and accruals are amounts of HK$10,625,000 (2002: HK$45,379,000) due to certain securities brokers and margin financiers which are secured by 3,702,521,867 (2002: 6,661,930,000) shares in South Sea (representing about 18.27% (2002: 32.87%) out of the Company's total 67.71% (2002: 67.71%) interest in South Sea). The amounts due bear interest at the rate of 8% to 10% per annum (2002: prime rate plus 2.625% to 4.005%).

26. AMOUNT DUE TO A DIRECTOR/AMOUNTS DUE TO SHAREHOLDERS

The amounts due to a director and shareholders are unsecured, interest-free and repayable on demand.

27. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount due represents dividends payable to a minority shareholder of a subsidiary.

28. BANK AND OTHER BORROWINGS

	Group		Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts – secured	271	272	–	–
– unsecured	–	3,092	–	–
	271	3,364	–	–
Restructure loan (note (a))	109,801	116,183	–	–
Short-term bank loans				
– secured	61,666	231,350	–	–
– unsecured	27,416	58,966	–	13,899
	89,082	290,316	–	13,899
Long-term bank loans-secured:				
Due within one year	167,838	13,649	–	–
Due more than one year but not exceeding two years	360,248	10,131	–	–
Due more than two years but not exceeding five years	108,913	487,516	–	–
Due more than five years	22,547	35,120	–	–
	659,546	546,416	–	–
Obligations under finance leases:				
Due within one year	195	486	–	–
Due in the second year	–	34	–	–
	195	520	–	–
Other borrowings	18,463	7,291	18,463	7,291
Other payable (note 29)	210,000	210,000	–	–
Convertible notes (note 30)	400,000	–	400,000	–
	1,487,358	1,174,090	418,463	21,190
Less: Current portion due within one year included under current liabilities	(485,849)	(525,106)	(18,463)	(21,190)
Non-current portion included under non-current liabilities	1,001,509	648,984	400,000	–

The analysis of the borrowings is as follows:

	Group		Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Wholly repayable within five years:				
Bank loans (note (b))	772,497	861,418	–	13,899
Bank overdrafts	271	3,364	–	–
Other borrowings	18,463	7,291	18,463	7,291
Other payable (note 29)	210,000	210,000	–	–
Convertible notes (note 30)	400,000	–	400,000	–
Obligations under finance leases	195	520	–	–
	1,401,426	1,082,593	418,463	21,190
Not wholly repayable within five years:				
Bank loans	85,932	91,497	–	–
	1,487,358	1,174,090	418,463	21,190

As at 31 March 2003, the Group technically breached the covenants of certain bank loans totalling HK$12,008,000 (2002: HK$42,574,000). These bank loans have been due for repayment and are included as part of the Group's current liabilities.

Notes:

(a) In the prior year, the Group entered into an agreement with one of its lending banks (the "Bank"), pursuant to which the repayment period for bank loans and overdrafts of approximately HK$116 million due to the Bank was extended. Under the agreement, the Group was allowed to consolidate all these bank loans and overdrafts into a restructure loan which should be repaid on or before 14 November 2006 while interest on these balances for the first thirty months after 1 May 2001 would be waived. Part of the restructure loan was repaid during the year following the disposal of certain land and buildings of the Group.

(b) During the year, certain post completion conditions attached to the bank loans of approximately HK$389 million granted by two bankers to Shenzhen Liu Wan have not been fulfilled. The Group and the bankers are in the course of negotiation for the bankers to waive the conditions. The directors are optimistic that the bankers will ultimately waive those conditions and will not make the loans become immediately due and repayable. On this basis, these loans continue to be shown as non-current liabilities in the consolidated balance sheet.

29. OTHER PAYABLE

On 18 September 2001, South Sea issued HK$210,000,000 5% convertible notes to Power Ocean Investments Limited ("Power Ocean"), an independent third party, for settlement of a loan of HK$210,000,000 under a loan agreement dated 30 August 2001. These convertible notes bore interest at 5% per annum and were originally due on 18 September 2002. However, the notes have not been converted into shares and remained outstanding as at 18 September 2002. Power Ocean has agreed in writing to extend the repayment date of the amount due to 31 December 2003. The amount is unsecured and bears interest at the rate of 9% per annum.

30. CONVERTIBLE NOTES

	Group		Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
1% convertible notes (note (a)):				
At 1 April	–	–	–	–
Issued during the year	400,000	–	400,000	–
At 31 March	400,000	–	400,000	–

	Group		Company	
	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
3% convertible notes (note (b)):				
At 1 April	–	–	–	–
Issued during the year	–	1,000,000	–	1,000,000
Converted during the year	–	(1,000,000)	–	(1,000,000)
At 31 March	–	–	–	–

	Group		Company	
	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-interest bearing convertible notes (note (c)):				
At 1 April	–	200,000	–	200,000
Settled during the year	–	(200,000)	–	(200,000)
At 31 March	–	–	–	–

(a) 1% convertible notes

On 31 December 2002, the Company issued HK$200,000,000 convertible notes to Empire Gate Industrial Limited, an independent third party, for settlement of the consideration for the acquisition of South Port Development Limited and First Foundation Limited which, through their subsidiaries, Acesite Limited and Nickell International Limited respectively, indirectly hold a total of 77.67% interest in Acesite. These convertible notes bear interest at 1% per annum and are due on 31 December 2004. Each of the convertible notes carries the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. As at 31 March 2003, no notes have been converted into shares.

On the same date, the Company issued HK$180,000,000 and HK$20,000,000 convertible notes to Procare Group Limited and Ka Wah Five Arrows China Hong Kong Fund Limited, independent third parties. These convertible notes bear interest at 1% per annum and are due on 31 December 2004. Each of the convertible notes carries the right at any time commencing on the date of issue but before the due date to convert the whole or part of the outstanding principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. As at 31 March 2003, no notes have been converted into shares.

Procare Group Limited has undertaken in writing to make good any losses which Ever Genius Development Limited and South Sea Development (HK) Limited, subsidiaries of the Company, may suffer as a result of default in repayment by an independent third party of the amounts due to them, by giving the Company the right to offset the defaulted amount against the principal amount of the convertible notes of HK$180,000,000 held by it. Procare Group Limited has also agreed in writing not to convert the whole or part of the principal amounts of the convertible notes into ordinary shares of the Company unless and until the amounts due by the third party to Ever Genius Development Limited and South Sea Development (HK) Limited have been settled in full.

(b) 3% convertible notes

On 11 August 2001, convertible notes of HK$200,000,000, HK$220,000,000, HK$140,000,000, HK$70,000,000, and HK$70,000,000 were issued to Rosewood Assets Limited (note i), Pippen Limited (note ii), Staverley Assets Limited (note iii), Wealthy Forecast Profits Limited (a shareholder of the Company) and Ctradenet International Holdings Limited (a shareholder of the Company) respectively. These convertible notes were originally due on 11 August 2004 and bore interest at 3% per annum. Each of the convertible notes carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. On 28 August 2001, these convertible notes were fully converted into 7,000,000,000 ordinary shares of HK$0.10 each at the conversion price of HK$0.10 per share.

On 30 October 2001, convertible note of HK$100,000,000 was issued to Macro Resources Limited, a company beneficially owned as to 60% by Mr. Yu and as to 40% by CITIC Guoan Group Company Limited (a substantial shareholder of the Company). The convertible note was originally due on 30 October 2004 and bore interest at 3% per annum. The convertible note carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. On 16 November 2001, the convertible note was fully converted into 1,000,000,000 ordinary shares of HK$0.10 each at the conversion price of HK$0.10 per share.

On 12 November 2001, convertible notes of HK$50,000,000, HK$100,300,000 and HK$49,700,000 were issued to Ctradenet International Holdings Limited, Super Century Company Limited and Wealthy Forecast Profits Limited respectively. These convertible notes were originally due on 12 November 2004 and bore interest at 3% per annum. Each of the convertible notes carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. On 19 November 2001, these convertible notes were fully converted into 2,000,000,000 ordinary shares of HK$0.10 each at the conversion price of HK$0.10 per share.

(c) Non-interest bearing convertible notes

On 19 January 2001, the Company issued HK$200,000,000 convertible notes to Excellent Mission Developments Company Limited, an independent third party, for settlement of the consideration for the acquisition of Hancheers. These convertible notes were originally due on 1 July 2004 and would not bear any interest. Each of the convertible notes carried the right at any time commencing on 9 April 2001 but before 1 July 2004 to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.50 per share. The conversion price was subject to adjustment in certain circumstances. On 11 August 2001, the HK$200,000,000 convertible notes were fully settled with the proceeds arising from the issues of the various convertible notes stated in note (b) above.

Notes:

i. Rosewood Assets Ltd. is a company wholly-owned by Mr. Yu.

ii. Pippen Limited is a wholly-owned subsidiary of Actinna Development Limited, which is a company wholly-owned by Mr. Yu.

iii. Staverley Assets Limited is a wholly-owned subsidiary of Elstrong Limited, which is a company wholly-owned by CITIC Guoan Group Company Limited.

31. DEFERRED TAX

As at 31 March 2003, the amount of deferred tax liability is as follows:

	Group		Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax effect of timing differences attributable to accelerated depreciation allowances	790	790	–	–

As at 31 March 2003, the amount of estimated unprovided deferred tax assets is as follows:

	Group		Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax effect of timing differences attributable to:				
– accelerated depreciation allowances	46	19	46	19
– tax losses	83,959	91,707	17,166	17,195
	84,005	91,726	17,212	17,214

The revaluations of the Group's property, plant and equipment and investment properties do not constitute timing differences and consequently the amount of potential deferred tax thereon has not been quantified.

32. SHARE CAPITAL

	Number of ordinary shares of HK$0.50 each	Number of ordinary shares of HK$0.10 each	HK$'000
Authorised:			
At 1 April 2001	6,000,000,000	–	3,000,000
Reduction of nominal value (note (a))	(6,000,000,000)	6,000,000,000	(2,400,000)
Increase during the year (note (b))	–	24,000,000,000	2,400,000
At 31 March 2002, 1 April 2002 and **31 March 2003**	–	30,000,000,000	3,000,000
Issued and fully paid:			
At 1 April 2001	3,914,504,877	–	1,957,252
Reduction of nominal value (note (a))	(3,914,504,877)	3,914,504,877	(1,565,802)
Conversion of convertible notes (note 30(b))	–	10,000,000,000	1,000,000
At 31 March 2002, 1 April 2002 and **31 March 2003**	–	13,914,504,877	1,391,450

(a) Pursuant to a special resolution passed on 3 May 2001 and confirmed by an order of the High Court of Hong Kong made on 27 June 2001, the authorised share capital of the Company was reduced from HK$3,000,000,000 divided into 6,000,000,000 ordinary shares of HK$0.50 each to HK$600,000,000 divided into 6,000,000,000 ordinary shares of HK$0.10 each with effect on 10 July 2001. Trading of the new ordinary shares of HK$0.10 each commenced on 10 July 2001. The reduction was effected by cancelling paid-up capital to the extent of HK$0.40 upon each of the 3,914,504,877 ordinary shares in issue as at 6 April 2001 and any further ordinary shares issued prior to 27 June 2001. The entire credit of approximately HK$1,565,802,000 arising from the capital reduction was utilised to eliminate part of the accumulated losses of the Company as at 31 March 2001.

(b) By an ordinary resolution passed on 9 July 2001, the authorised share capital of the Company was increased from HK$600,000,000 to HK$3,000,000,000 by the creation of 24,000,000,000 new shares of HK$0.10 each. These new shares rank pari passu in all respects with the existing shares of the Company.

Share options

The Company's share options outstanding at 31 March 2003 are as follows:

Exercise period	Exercise price HK$	Number of shares issuable under the share options
1 November 2000 – 30 April 2003	0.50	3,000,000

In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange in 2001, the share option scheme adopted at an extraordinary general meeting held on 29 October 1999 (the "Old Scheme") was terminated upon the adoption of the share option scheme at the extraordinary general meeting of the Company held on 29 August 2002 (the "New Scheme") to allow wider classes of person or entity to be the participants and to contain more terms as are in compliance with the new requirements of Chapter 17 of the Listing Rules now in force. Therefore, no further options would be granted under the Old Scheme. However, all options granted prior to such termination and not yet exercised shall continue to be valid and exercisable in accordance with the Old Scheme.

Under the New Scheme, share options may be granted to the directors, employees of the Group and those who have contributed or will contribute to the Group to subscribe for shares in the Company at any time within ten years after its adoption at the discretion of the board of the directors of the Company. Details of the New Scheme were disclosed in the Company's circular dated 31 July 2002.

During the year, 6,924,000 share options granted to directors lapsed automatically on the expiry date and 13,486,000 share options granted to the employees lapsed upon resignation of the relevant employees.

The exercise in full of the outstanding share options would, under the capital structure of the Company as at 31 March 2003, result in the issue of 3,000,000 additional new shares of HK$0.10 each in the Company.

33. SHARE PREMIUM

	Group and Company	
	2003	**2002**
	HK$'000	*HK$'000*
At 31 March	472,736	472,736

34. RESERVES

	Capital redemption reserve	General reserves	Exchange reserve	Retained profits/ (Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group					
At 1 April 2001	2,258	131,897	(5,946)	(681,462)	(553,253)
Capital reduction (note 32(a))	–	–	–	1,565,802	1,565,802
Release upon disposal of subsidiaries	–	(3,811)	5,002	–	1,191
Arising from acquisition of additional interest in an associate	–	(161,494)	–	–	(161,494)
Exchange differences	–	–	(1,130)	–	(1,130)
Loss attributable to shareholders	–	–	–	(32,488)	(32,488)
At 31 March 2002 and at 1 April 2002	2,258	(33,408)	(2,074)	851,852	818,628
Exchange differences	–	–	14,060	–	14,060
Reserves attributable to minority shareholders	–	–	(2,416)	–	(2,416)
Profit attributable to shareholders	–	–	–	13,845	13,845
At 31 March 2003	2,258	(33,408)	9,570	865,697	844,117
The reserves are retained as follows:					
Company and subsidiaries	2,258	(33,408)	9,570	866,688	845,108
Associates	–	–	–	(991)	(991)
At 31 March 2003	2,258	(33,408)	9,570	865,697	844,117
Company and subsidiaries	2,258	(33,408)	(2,074)	852,485	819,261
Associates	–	–	–	(633)	(633)
At 31 March 2002	2,258	(33,408)	(2,074)	851,852	818,628

	Capital redemption reserve	General reserves	Exchange reserve	Retained profits/ (Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Company					
At 1 April 2001	2,258	79,579	–	(169,701)	(87,864)
Capital reduction (note 32(a))	–	–	–	1,565,802	1,565,802
Loss attributable to shareholders	–	–	–	(660,412)	(660,412)
At 31 March 2002 and at 1 April 2002	2,258	79,579	–	735,689	817,526
Loss attributable to shareholders	–	–	–	(154,867)	(154,867)
At 31 March 2003	2,258	79,579	–	580,822	662,659

The Group's general reserves includes capital reserves arising from acquisitions of subsidiaries in prior years, which represents the excess of the fair value of subsidiaries acquired over the consideration paid.

35. OPERATING LEASE COMMITMENTS

(a) At 31 March 2003, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group Land and buildings		Company Land and buildings	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	13,408	15,524	–	1,121
In the second to fifth years	18,179	20,488	–	–
After five years	12,534	11,526	–	–
	44,121	47,538	–	1,121

The Group leases a number of properties under operating leases. The leases run for an initial period of one to ten years, with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords. None of the leases includes any contingent rentals.

(b) At 31 March 2003, the Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	Land and buildings	
	2003	**2002**
	HK$'000	*HK$'000*
Within one year	24,823	3,207
In the second to fifth years	2,758	6,387
After five years	–	5,216
	27,581	14,810

36. COMMITMENTS

(a) Capital commitments

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Contracted but not provided for	84,690	86,281

The capital commitments are mainly in respect of construction costs for certain property development projects undertaken in the PRC and acquisition of investments.

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

(b) Other commitments

	Group		Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Commitments in respect of capital contribution to subsidiaries in the PRC	–	–	11,700	11,625

37. DIRECTORS' REMUNERATION

Remuneration of the Company's directors disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Fees:		
Executive directors	–	–
Non-executive directors	–	–
Independent non-executive directors	40	18
Other emoluments paid and payable to directors:		
Basic salaries, housing, other allowances and benefits in kind	3,763	3,919
Pension scheme contributions	36	36
	3,839	3,973

The emoluments of the directors fell within the following bands:

	Number of directors	
Emolument bands	2003	2002
NIL– HK$1,000,000	7	7
HK$1,000,001 – HK$2,000,000	1	1
HK$2,000,001 – HK$2,500,000	1	1
	9	9

During the year, no options had been exercised by the directors.

No directors waived or agreed to waive any emoluments in respect of the year ended 31 March 2003 (2002: NIL).

Five highest paid individuals

The five highest paid individuals of the Group for the year included two (2002: two) directors, details of whose emoluments are set out above. The emoluments of the remaining three (2002: three) employees were as follows:

	2003	**2002**
	HK$'000	*HK$'000*
Basic salaries and housing allowances	2,563	3,294
Pension scheme contributions	19	77
	2,582	3,371

The emoluments of these employees were within the following bands:

	Number of individuals	
Emolument bands	2003	2002
NIL– HK$1,000,000	2	1
HK$1,000,001 – HK$2,000,000	1	2
	3	3

During the year, no emoluments were paid to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

38. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	Group		**Company**	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Subsidiaries	–	–	250,080	154,296
Associate	8,669	7,235	8,669	7,235
Former subsidiaries	–	118,249	–	118,249
A minority shareholder of a former subsidiary	39,338	33,957	39,338	33,957
Third party	71,698	37,037	37,736	37,037
	119,705	196,478	335,823	350,774

39. PLEDGE OF ASSETS

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

(a) first legal charges on the Group's investment properties (note 13) with an aggregate net book value of HK$93,500,000 (2002: HK$99,500,000) and certain land and buildings located in Hong Kong (note 13) with an aggregate net book value of NIL (2002: HK$960,000);

(b) first legal charges on hotel properties located in the PRC and the Philippines and properties under development located in the PRC (note 13) with an aggregate net book value of HK$551,120,000 (2002: HK$306,000,000);

(c) fixed charges over land and buildings and other property, plant and equipment (note 13) with an aggregate net book value of HK$54,959,000 (2002: HK$93,492,000);

(d) charge over the land held for development with Land Lot No. K708-5 at Liu Wan and all proceeds from sales of that land held for development (note 18);

(e) charge over certain land held for development at Guang Hua Gong Lu, Hua Du City, Guangdong Province, the PRC (note 18);

(f) charge over land held for development in Hong Kong with carrying value of HK$58,788,000 (note 18);

(g) certain investment in and amount advance to a subsidiary with an aggregate balance of HK$178,291,000 (2002: HK$166,759,000) (note 14);

(h) undertakings on the part of the Group for the assignment of rentals from the letting of certain investment properties, and proceeds from sales of certain investment properties;

(i) Pledge of 3,702,521,867 (2002: 6,661,930,000), 240,000,000 (2002: 240,000,000), 363,638,000 (2002: 363,638,000) and 15,265,220,133 (2002: NIL) shares in South Sea as securities to brokers, bankers, minority shareholder of a subsidiary and a lender respectively, the total of which represents about 96.57% out of 67.71% of total interest in South Sea held by the Company. The market value of such listed shares as at 31 March 2003 was about HK$195,714,000 (2002: HK$138,046,000).

(j) charge over the share capital of a wholly-owned subsidiary of the Company and shares in certain subsidiaries within the Group;

(k) floating charge over other assets of certain companies within the Group;

(l) unlimited personnel guarantee given by Mr. Yu; and

(m) corporate guarantees given by the former ultimate holding company and the former shareholders of South Sea.

40. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the year, the Group had the following transactions with certain related parties:

Financial transactions

Name of related party	Nature of transactions	2003 HK$'000	2002 HK$'000
Mr. Yu	Liabilities waived by Mr. Yu	30,000	–

Mr. Yu is a director and substantial shareholder of the Company.

Financial support

(a) As at 31 March 2003, the Group's banking facilities were secured by the land of an associate, and corporate and personal guarantees executed by certain related parties of the Company.

(b) As at 31 March 2003, the banking facilities granted to Genius Reward Company Limited, an associate of the Group, were supported by corporate guarantees executed by the Company and pledge of certain listed shares of subsidiaries and certain unlisted shares of a subsidiary.

(c) As at 31 March 2003, the Group has given corporate guarantees in connection with credit facilities granted to Hollybush Corporation, a related company. The contingent liabilities arising therefrom amounted to HK$39,338,000 (2002: HK$33,957,000) and are included in note 38 to the financial statements.

Balances with related parties

As at 31 March 2003, the Group had receivables and payables due from and to certain related parties. These balances are mainly in respect of advances to/from these parties.

Details of the terms of the Company's balances due from and to its subsidiaries are set out in note 14 to the financial statements.

41. PENDING LITIGATIONS

(a) In prior years, Team Concepts Electronics Limited, a subsidiary of the Company, issued a proceeding against an European distributor, Stadlbaucer Marketing & Vertrieb GmbH ("SMV"), for outstanding accounts receivable of approximately US$0.8 million (HK$6.2 million). SMV has filed a counterclaim for a sum amounting to Austrian Schilling 2.5 million (HK$1.6 million) for alleged breach of exclusive distributorship contracts. Up to the date of approval of these financial statements, this court case is still in progress and no settlement has yet been received by the Group. The directors are of the opinion that this litigation is unlikely to result in any material loss to the Group and adequate provision has been made against any potential loss.

(b) Acesite's 74,889,231 issued common shares (representing 75% of its total outstanding common shares) held by Acesite Limited were pledged in favour of EPCIB as security for loans granted by EPCIB to Genius Reward Company Limited, an associate of the Group. On 18 February 2003, EPCIB foreclosed the 74,889,231 common shares and sold them as a block sale in the Philippine Stock Exchange. Acesite Limited has contested the sale, stating that an earlier restructuring agreement was entered into with EPCIB on 15 January 2003 rendering both the foreclosure action and subsequent sale null and void. This matter is currently the subject of a court case identified as Civil Case No. 03-187 with the Regional Trial Court of Makati City, Philippines. The directors and the legal advisers of the Company are of the view that the outcome of this case would be in favour of the Group.

42. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	2003 *HK$'000*	2002 *HK$'000*
Net assets acquired:		
Property, plant and equipment	235,344	8,262
Land held for development	–	3,201,463
Interest in an associate	(631)	–
Inventories	242	642
Cash at banks and in hand	11,939	1,429
Amount due from ultimate holding company	10,960	–
Trade and other receivables	11,778	133,293
Tax recoverable	177	–
Trade payables, other payables and accruals	(44,911)	(12,800)
Defined benefit retirement obligation	(5,121)	–
Land premium payables	–	(160,912)
Deposit received	–	(27,685)
Provision for tax	–	(99)
Bank loans	(111,202)	(185,185)
Minority interests	(47,360)	(24,252)
	61,215	2,934,156
Goodwill/(Negative goodwill) arising on acquisition	139,067	(2,218)
	200,282	2,931,938
Satisfied by:		
Cash consideration	282	6
Decrease in shareholding in a subsidiary	–	755,278
Convertible notes issued as consideration	200,000	450,000
Decrease in interest in an associate	–	1,174,378
Decrease in long term investments	–	25,303
Decrease in other receivables	–	526,973
	200,282	2,931,938

The analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2003	2002
	HK$'000	*HK$'000*
Cash consideration	(282)	(6)
Cash at banks and in hand acquired	11,939	1,429
	11,657	1,423

(b) Disposal of subsidiaries

	2003	2002
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	261	–
Land held for development	21,086	–
Inventories	1,753	–
Trade and other receivables	1,067	1,005
Cash at banks and in hand	901	–
Trade payables, other payables and accruals	(14,858)	(605)
	10,210	400
Reserves released on disposal:		
Currency translation reserve	–	5,002
General reserve	–	(3,811)
Goodwill released on disposal	3,553	–
Gain/(Loss) on disposal of subsidiaries	10,198	(1,591)
	23,961	–
Satisfied by:		
Cash consideration	8,204	–
Consideration included in other receivables	15,000	–
Waiver of amount due to a creditor	757	–
	23,961	–

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

	2003	2002
	HK$'000	*HK$'000*
Cash consideration	8,204	–
Cash at banks and in hand disposed of	(901)	–
	7,303	–

(c) Major non-cash transactions

During the year, the following major non-cash transactions took place:

The acquisitions of South Port Development Limited and First Foundation Limited were satisfied by the issue of HK$200,000,000 1% convertible notes (note 30(a)).

The reimbursement of certain advertising and promotional expenses incurred by the Group by Mr. Yu was effected through his current account with the Group (note 6(b)).

The disposal of a subsidiary was satisfied by the waiver of an amount due to a creditor of HK$757,000.

43. RETIREMENT BENEFIT PLANS

Defined contribution retirement plans

The Group operates a MPF scheme and an OROS scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees.

Subsidiaries operating in the PRC are required to participate in a defined contribution retirement plan organised by relevant government authorities. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total cost charged to the consolidated income statement of HK$3,348,000 (2002: HK$427,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes. Contributions totalling HK$157,020 (2002: NIL) payable to defined contribution retirement plans at 31 March 2003 are included in other payables.

Defined benefit retirement plan

The Group operates a defined benefit retirement plan for all of its regular employees with at least five years of continuous service in Philippines. Under the plan, the employees are entitled to retirement benefit based on percentage of employees' final monthly salary for every year of continuous service. The obligation for the defined benefit retirement plan is provided with reference to the latest actuarial valuation.

The latest actuarial valuation was prepared as at 31 March 2003 by Feliciano F Miravite, Inc., a firm of qualified actuaries, using the projected unit credit method.

The amounts recognised in the consolidated income statement were as follows:

	Group
	2003
	HK$'000
Current service cost	250
Interest cost	304
Expected return on planned assets	(209)
Net actuarial losses recognised	49
Total, included in staff costs (note 8)	394

The total charge has been included in cost of sales and services and administration expenses for the year ended 31 March 2003.

The amounts recognised in the consolidated balance sheet were determined as follows:

	Group
	2003
	HK$'000
Present value of unfunded obligations	15,286
Fair value of planned assets	(10,926)
Liability as at 31 March	4,360
Current portion	(4,360)
Non-current portion	–

Movements of the liability recognised in the consolidated balance sheet are as follows:

	Group 2003 *HK$'000*
At 1 April 2002	–
Acquisition of a subsidiary (note 42(a))	5,121
Total expenses as shown above	394
Contributions paid	(1,155)
At 31 March 2003	4,360

The principal actuarial assumptions used were as follows:

	2003
Discount rate	9%
Expected rate of return of plan assets	9%
Expected rate of future salary increases	7%
Expected average employee future service life	14.8 years

44. POST BALANCE SHEET EVENTS

(a) On 4 April 2002, the Company (as issuer) and Mr. Yu (as placing agent and underwriter) entered into an agreement, under which, amongst other things, Mr. Yu had a right, exercisable within the period up to 31 March 2003, to require the Company to issue the convertible notes of up to an additional principal amount of HK$200 million for subscription by the investors or by Mr. Yu or one or more of his associates. As announced by the Company on 28 March 2003, by mutual agreement between the Company and Mr. Yu, the exercise period of Mr. Yu's right was extended by a three months period which expired on 30 June 2003. On 30 June 2003, the Company and Mr. Yu entered into another agreement, under which both parties agreed to further extend the aforesaid three months period by another six months up to 31 December 2003 or any other period to be mutually agreed by both parties. The net proceeds of the issue of the convertible notes will be used for repayment of liabilities and as working capital of the Group. The extension of the exercise period of Mr. Yu's right will be subject to the approval of the independent shareholders at a general meeting of the Company to be convened.

(b) On 25 June 2003, convertible notes of HK$200 million were converted into 2,000,000,000 ordinary shares of HK$0.10 each at a conversion price of HK$0.10 per share by Empire Gate Industrial Limited.

(c) By a special resolution passed on 11 July 2003 and effective from 23 July 2003, the name of the Company was changed from Sino-i.com Limited to Sino-i Technology Limited.

(d) In July 2003, the Company has completed the acquisition of Yat Tai at a total consideration of HK$112 million. The deposit paid for such acquisition as at 31 March 2003, amounting HK$100 million, was included in other investments as disclosed in note 17 to the financial statements.

(e) In January 2003, China Enterprise ASP Limited and CE Dongli Technology Company Limited, subsidiaries of the Company, entered into several agreements with certain independent third parties, under which China Enterprise ASP Limited and CE Dongli Technology Company Limited agreed to acquire from those independent third parties 100% equity interest in 北京新網數據通信網絡有限公司, a company established in the PRC and principally engaged in domain name registration and virtual hosting service provider, manufacture and trading of computer software and computer network system and providing related technical enquiry services, at a total consideration of RMB21 million. The acquisition was subsequently completed in June 2003.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 22 to 100 were approved by the board of directors on 30 July 2003.

PART A. GENERAL

The pro forma financial information of the Sino-i Group (excluding the South Sea Group) is prepared to provide information about the impact on the Sino-i Group following completion of the Subscription Agreement, conversion of the South Sea Notes and completion of the Capital Reduction and Distribution by illustrating how these transactions might have affected the financial information of the Existing Sino-i Group, had these transactions been undertaken at the commencement of the respective periods being reported on or, in the case of the pro forma balance sheets, at the respective balance sheet dates reported.

The pro forma financial information includes all appropriate adjustments considered necessary to give effect to the transactions as if the transactions had been undertaken at the commencement of the periods being reported on or, in the case of the pro forma balance sheets, at the balance sheet dates reported on. The pro forma financial information is prepared for illustrative purposes only; and because of its nature, may not give a true picture of the financial position or results of the Sino-i Group. The pro forma financial information is prepared on a basis consistent with the accounting policies adopted by the Sino-i Group. The detailed basis for the preparation of the pro forma income statements and pro forma balance sheets is included in the following sections.

PART B. PRO FORMA INCOME STATEMENTS

1. Basis of preparation

(a) Pro forma adjustments are made as if the Company had been excluded at the commencement of the respective periods being reported on.

(b) The turnover and cost of sales of the South Sea Group are excluded from the consolidated turnover and cost of sales of Sino-i for the respective periods.

(c) The original share of results of the South Sea Group which had been consolidated as part of the results of Sino-i for the respective periods are reversed.

(d) Sino-i acquired a controlling interest of approximately 75.96% in the Company in September 2000 by means of injection into the Company, a wholly owned subsidiary engaged in providing online education services and South Sea Group's results were consolidated into Sino-i's financial statements from September 2000. In July 2001 pursuant to certain major and connected transactions, Sino-i injected its property owning associated company and property project into the Company and reacquired from the Company the above mentioned wholly owned subsidiary. Following completion of these transactions, Sino-i's shareholding interest in the Company increased from about 66.37% to 68.23%.

For the purpose of preparing the pro forma income statements for the years ended 31 March 2001 and 2002, the above mentioned wholly owned subsidiary reacquired by the Sino-i Group is deemed to be part of and wholly owned by the Sino-i Group throughout the two years while the property owning associated company and the property project are deemed to be excluded from the Sino-i Group throughout the two years from 1 April 2000.

(e) The amortisation of goodwill on consolidation of the South Sea Group by Sino-i for the periods are reversed.

(f) Upon exclusion of the South Sea Group including its 49% interest in Listar, the Sino-i Group retains a 51% interest in Listar. Adjustments are made for the 49% minority interest's share of the results of Listar for the relevant periods.

(g) For the purpose of preparation of the proforma income statements, profit or loss on partial disposal and deemed partial disposal of South Sea Shares by Sino-i Group during the years ended 31 March 2001 and 2002 are excluded.

2. Summary of Pro forma Income Statement of Sino-i Group (excluding South Sea Group)

	Period from 1 April to 30 September 2003	Year ended 31 March 2003	Year ended 31 March 2002	Year ended 31 March 2001
	HK$000	*HK$000*	*HK$000*	*HK$000*
Turnover by business segment:				
Information technology business	193,923	159,575	128,832	65,678
Provision of financial information	50,274	70,564	38,806	–
Property development	–	–	–	36,322
Sales of securities	383	17,219	54,172	232
Hotel operation	40,410	35,472	13,409	–
Property investment	399	2,883	3,259	3,512
Distance learning and application services	18,907	2,760	–	–
Total turnover	304,296	288,473	238,478	105,744
Cost of sales	(127,440)	(126,471)	(113,923)	(49,057)
Gross Profit	176,856	162,002	124,555	56,687
Other revenue	25,134	27,349	67,599	26,612
Gain on partial disposal of subsidiaries	–	–	–	164,630
Gain on disposal of subsidiaries	–	462	–	–
Gain on disposal of property development projects	–	17,778	–	–
Administrative expenses	(86,981)	(110,402)	(125,793)	(119,991)
Depreciation and amortisation	(25,565)	(52,374)	(34,940)	(8,051)
Other operating expenses	(6,680)	(78,972)	(56,748)	(11,510)
Profit/(Loss) from operations	82,764	(34,157)	25,327	108,377
Finance costs	(10,115)	(18,214)	(30,328)	(37,663)
Liabilities waived by a director	–	30,000	–	–
Loan waived by a minority shareholder	–	–	25,000	–
Share of results of associates	(80)	(358)	(247)	(1)
Profit/(Loss) before taxation	72,569	(22,729)	(30,902)	70,713
Taxation	(4,105)	(6,448)	(5,185)	1,104
Profit/(Loss) before minority interests	68,464	(29,177)	(36,087)	71,817
Minority interests	(15,680)	(13,134)	(16,909)	3,171
Profit/(Loss) attributable to shareholders	52,784	(42,311)	(52,996)	74,988

Detailed pro forma adjustments considered appropriate pursuant to the basis of preparation of the pro forma income statements for each of the above reporting periods are shown in the following sections 3 to 6.

3. Pro forma Income Statement of Sino-i Group

for the six months ended 30 September 2003

	Unaudited interim results for the six month ended 30 September 2003	Adjustment[1]	Adjustment[2]	Adjustment[3]	Adjustment[4]	Adjustment[5]	Pro forma income statement of Sino-i Group excluding South Sea Group
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*
Turnover by business segment							
Information technology business	193,923						193,923
Provision of financial information	50,274						50,274
Consumer packaged electronics	1,379	(1,379)					0
Electronic manufacturing services	6,344	(6,344)					0
Telecommunication products	0						0
Property development	0						0
Sales of securities	383						383
Hotel operation	40,410						40,410
Property investment	399						399
Distance learning and application services	18,907						18,907
Total Turnover	312,019	(7,723)					304,296
Cost of sales	(137,419)	9,979					(127,440)
Gross profit	174,600	2,256					176,856
Other revenue	38,255	(13,121)					25,134
Administrative expenses	(88,372)	1,391					(86,981)
Depreciation and amortisation	(34,323)	2,772		2,571	3,415		(25,565)
Other operating expenses	(7,208)	528					(6,680)
Profit from operations	82,952	(6,174)					82,764
Finance costs	(24,738)	14,623					(10,115)
Share of results of associates	(80)	376				(376)	(80)
Profit/(Loss) before taxation	58,134	8,825					72,569
Taxation	(4,105)						(4,105)
Profit/(Loss) before minority interests	54,029						68,464
Minority interests	(13,206)		(2,850)			376	(15,680)
Profit/(Loss) attributable to shareholders	40,823						52,784

Adjustment (1) Adjustment of turnover and cost of sales and other profit and loss items of the Company
Adjustment (2) Adjustment of minority interest's share of results of the Company
Adjustment (3) Reversal of amortisation of goodwill on consolidation of the Company
Adjustment (4) Reversal of consolidation adjustment on goodwill on consolidation of 49% in Listar
Adjustment (5) Adjustment on minority interest's 49% share of results in Listar

4. Pro forma Income Statement of Sino-i Group

for the year ended 31 March 2003

	Audited results for the year ended 31 March 2003	Adjustment[1]	Adjustment[2]	Adjustment[3]	Adjustment[4]	Adjustment[5]	Adjustment[6]	Pro forma income statement of Sino-i Group excluding South Sea Group
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*
Turnover								
Information technology business	159,575							159,575
Provision of financial information	70,564							70,564
Consumer packaged electronics	64,032	(64,032)						0
Electronic manufacturing services	36,544	(36,544)						0
Telecommunication products	0							0
Property development	0							0
Sales of securities	17,219							17,219
Hotel operation	35,472							35,472
Property investment	2,883							2,883
Distance learning and application services	2,760							2,760
	389,049	(100,576)						288,473
Cost of sales	(202,479)	76,008						(126,471)
Gross Profit	186,570	(24,568)						162,002
Other revenue	44,275	(16,926)						27,349
Gain on disposal of subsidiaries	10,198	(9,736)						462
Gain on disposal of a jointly controlled entity	3,403	(3,403)						0
Gain on disposal of property development projects	117,778	(20,000)					(80,000)	17,778
Administrative expenses	(145,809)	35,407						(110,402)
Depreciation and amortisation	(77,342)	12,995		5,144	6,829			(52,374)
Other operating expenses	(81,652)	2,680						(78,972)
Profit from operations	57,421	(23,551)						(34,157)
Finance costs	(41,161)	22,947						(18,214)
Liabilities waived by a director	30,000							30,000
Share of results of associates	(358)	374				(374)		(358)
Profit/(Loss) before taxation	45,902	(230)						(22,729)
Taxation	(6,488)	40						(6,448)
Profit/(Loss) before minority interests	39,414	(190)						(29,177)
Minority interests	(25,569)		61			374	12,000	(13,134)
Profit/(Loss) attributable to shareholders	13,845							(42,311)

Adjustment (1) Adjustment of turnover and cost of sales and other profit and loss items of the Company

Adjustment (2) Adjustment of minority interest's share of results of the Company

Adjustment (3) Reversal of amortisation of goodwill on consolidation of the Company

Adjustment (4) Reversal of consolidation adjustment on goodwill on consolidation of 49% in Listar

Adjustment (5) Adjustment on minority interest's 49% share of results in Listar

Adjustment (6) The amount of HK$80 million represents the value of property project injected by a 85% owned subsidiary of Sino-i Group into South Sea Group in July 2001.

The amount was recognised as a gain in the consolidation of Sino-i for the year ended 31 March 2003 after the Company disposed of the property project during that year.

For the purpose of preparing the pro forma income statement, the gain of HK$80 million and the related minority interest of HK$12 million in relation to the South Sea Group are excluded from the results of the Sino-i Group.

5. Pro forma Income Statement of Sino-i Group

for the year ended 31 March 2002

	Audited results for the year ended 31 March 2002	Adjustment[1]	Adjustment[2]	Adjustment[3]	Adjustment[4]	Adjustment[5]	Adjustment[6]	Adjustment[7]	Adjustment[8]	Pro forma income statement of Sino-i Group excluding South Sea Group
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*
Turnover by business segment										
Information technology business	128,832									128,832
Provision of financial information	38,806									38,806
Consumer packaged electronics	147,104	(147,104)								0
Electronic manufacturing services	64,648	(64,648)								0
Telecommunication products	3,586	(3,586)								0
Property development	0									0
Sales of securities	68,280						(14,108)			54,172
Hotel operation	13,409									13,409
Property investment	3,259									3,259
Distance learning and application services	0									0
Total turnover	467,924	(215,338)								238,478
Cost of sales	(337,274)	199,951					23,400			(113,923)
Gross profit	130,650	(15,387)								124,555
Other revenue	89,331	(16,997)					(5,011)	276		67,599
Gain on deemed partial disposal of a subsidiary	20,000	(20,000)								0
Administrative expenses	(162,380)	37,197						(610)		(125,793)
Depreciation and amortisation	(69,665)	21,826		9,217	3,966			(284)		(34,940)
Other operating expenses	(69,427)	13,133						(454)		(56,748)
Profit/(Loss) from operations	(61,491)	19,772								(25,327)
Finance costs	(47,619)	17,304						(13)		(30,328)
Liabilities waived by unsecured creditors	89,779	(89,779)								0
Loan waived by a minority shareholder	25,000									25,000
Share of results of associates	(441)	403				(403)			194	(247)
Profit/(Loss) before taxation	5,228	(52,300)								(30,902)
Taxation	(5,333)	148								(5,185)
Profit/(Loss) before minority interests	(105)									(36,087)
Minority interests	(32,383)		14,862			403		209		(16,909)
Profit/(Loss) attributable to shareholders	(32,488)									(52,996)

Adjustment (1) Adjustment of turnover and cost of sales and other profit and loss items of the Company

Adjustment (2) Adjustment of minority interest's share of results of the Company

Adjustment (3) Reversal of amortisation of goodwill on consolidation of the Company

Adjustment (4) Reversal of consolidation adjustment on goodwill on consolidation of 49% in Listar

Adjustment (5) Adjustment on minority interest's 49% share of results in Listar

Adjustment (6) Reversal of gain on partial and deemed partial disposal of the Company during the period

Adjustment (7) Adjustment of the results of a wholly owned subsidiary reacquired by the Sino-i Group from the Company pursuant to certain major and connected transactions in July 2001. For the purpose of preparation of pro forma income statement for the years ended 31 March 2001 and 2002, the wholly owned subsidiary is deemed to be part of and wholly owned by the Sino-i Group throughout the two years from 1 April 2000

Adjustment (8) Adjustment of the share of results of an associated company which was injected by the Sino-i Group into the South Sea Group pursuant to certain major and connected transactions in July 2001. For the purpose of preparation of pro forma income statement for the years ended 31 March 2001 and 2002, the associated company is deemed to be excluded from the Sino-i Group throughout the two years from 1 April 2000, and its results originally included in the Sino-i consolidation was reversed

6. Pro forma Income Statement of Sino-i Group

for the year ended 31 March 2001

	Audited results for the year ended 31 March 2001	Adjustment[1]	Adjustment[2]	Adjustment[3]	Adjustment[4]	Adjustment[5]	Adjustment[6]	Adjustment[7]	Pro forma income statement of Sino-i Group excluding South Sea Group
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*
Turnover by business segment:									
Information technology business	65,678								65,678
Provision of financial information	0								0
Consumer packaged electronics	96,975	(96,975)							0
Electronic manufacturing services	212,039	(212,039)							0
Telecommunication products	40,312	(40,312)							0
Property development	36,322								36,322
Sales of securities	29,632					(29,400)			232
Hotel operation	0								0
Property investment	3,512								3,512
Distance learning and application services	0								0
Total turnover	484,470	(349,326)							105,744
Cost of sales	(454,262)	380,705				24,500			(49,057)
Gross profit	30,208	31,379							56,687
Other revenue	35,938					(9,517)	191		26,612
Gain on partial disposal of subsidiaries	164,630								164,630
Administrative expenses	(158,020)	45,804					(7,775)		(119,991)
Depreciation and amortisation	(11,720)			4,704			(1,035)		(8,051)
Other operating expenses	(38,013)	365,884			(337,920)		(1,461)		(11,510)
Profit from operations	23,023	443,067							108,377
Finance costs	(46,342)	8,679							(37,663)
Share of results of associates	2,762	741						(3,504)	(1)
Share of results of a jointly controlled entity	(429)	429							0
Profit/(Loss) before taxation	(20,986)	452,916							70,713
Taxation	878	226							1,104
Profit/(Loss) before minority interests	(20,108)	453,142							71,817
Minority interests	35,785		(34,614)				2,000		3,171
Profit/(Loss) attributable to shareholders	15,677								74,988

Adjustment (1) The Company became a subsidiary of Sino-i on 20 September 2000. This represents adjustment of turnover and cost of sales and other profit and loss items of the Company from 20 September 2000 to 31 March 2001 as included in the audited results of Sino-i for the year ended 31 March 2001

Adjustment (2) Adjustment of minority interest's share of results of the Company in Sino-i's consolidated accounts from 20 September 2000 to 31 March 2001

Adjustment (3) Reversal of amortisation of goodwill on consolidation of the Company

Adjustment (4) Adjustment on HK$337,920,000 relating to write back at Sino-i consolidation level of goodwill written off in the South Sea Group accounts arising from injection of a wholly owned subsidiary of Sino-i into the Company in September 2000, now reversed

Adjustment (5) Reversal of gain on partial and deemed partial disposal of the Company during the period

Adjustment (6) Adjustment of the results of a wholly owned subsidiary reacquired by the Sino-i Group from the Company pursuant to certain major and connected transactions in July 2001. For the purpose of preparation of pro forma income statement for the years ended 31 March 2001 and 2002, the wholly owned subsidiary is deemed to be part of and wholly owned by the Sino-i Group throughout the two years from 1 April 2000

Adjustment (7) Adjustment of the share of results of an associated company which was injected by the Sino-i Group into the South Sea Group pursuant to certain major and connected transactions in July 2001. For the purpose of preparation of pro forma income statement for the years ended 31 March 2001 and 2002, the associated company is deemed to be excluded from the Sino-i Group throughout the two years from 1 April 2000, and its results originally included in the Sino-i consolidation was reversed

PART C. PRO FORMA BALANCE SHEET

1. Basis of Preparation

(a) Pro forma adjustments are made as if the Company had been excluded at the respective balance sheet dates.

(b) Pro forma adjustments are made for the issue of Sino-i Notes to First Best Assets Limited of HK$200 million on 31 December 2003 pursuant to the Placing and Underwriting Agreement, the unsecured interest-free shareholder's loan from Mr. Yu of HK$10 million granted to Sino-i on 31 December 2003 which is repayable by Sino-i in one lump sum on a date to be agreed between Sino-i and Mr. Yu (subject to Sino-i having available funds to repay such loan at the relevant time), conversion of convertible notes totalling HK$600 million (including the Sino-i Notes of First Best Assets Limited of HK$200 million and convertible notes totalling HK$400 million issued on 31 December 2002, details of which are described in paragraph (c) below), repayment by the Company to Power Ocean Investments Limited (an independent third party which, together with its ultimate beneficial owner, is not connected with any of the directors, chief executive and substantial shareholders of the Company or its subsidiaries) of HK$210 million on 31 December 2003 and the effect of the subscription and conversion of South Sea Notes of HK$200 million.

(c) On 31 December 2002, Sino-i issued convertible notes totalling HK$400 million, as to HK$200 million to Empire Gate Industrial Limited, as to HK$180 million to Procare Group Limited and as to HK$20 million to CITIC Capital Active Partner Fund Limited (formerly known as The Ka Wah Five Arrows China Hong Kong Fund Limited). For the purpose of the Capital Reduction and Distribution, these Sino-i Notes are deemed all converted into Sino-i Shares. In preparing the pro forma balance sheet of 31 March 2002, proforma adjustments are made firstly by setting up of an asset item of HK$400 million with a corresponding credit to the share capital of the same amount to reflect the asset increase of HK$400 million from the issue of the said convertible notes and its conversion into Sino-i Shares for the purpose of the Capital Reduction and Distribution. This asset item was later reversed against the reserve in the pro forma balance sheet at 31 March 2002 as such asset item did not yet exist at 31 March 2002.

(d) Upon Distribution of South Sea Shares by Sino-i, the assets and liabilities of the Company are excluded.

(e) Upon Distribution of South Sea Shares by Sino-i, minority interest attributable to minority shareholders of the Company are excluded from Sino-i.

(f) Carrying value of goodwill on consolidation of South Sea Group is excluded.

(g) Pro forma adjustment is made to reflect the minority shareholder's 49% interest in Listar upon exclusion of the Company.

2. Summary of Pro forma Balance Sheets of Sino-i Group (excluding South Sea Group)

	At 30 Sept 2003 *HK$000*	At 31 Mar 2003 *HK$000*	At 31 Mar 2002 *HK$000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	682,997	685,734	452,403
Interest in associates	(8,744)	(8,245)	(7,426)
Other investments	198,215	188,676	236,712
Land held for development	425,155	425,155	429,219
Intangible assets	506,595	497,240	416,020
	1,804,218	1,788,560	1,526,928
Current assets			
Inventories	3,679	4,272	4,358
Short term investment	127	398	1,649
Trade and other receivables	523,190	404,385	221,299
Amounts due from related companies	200,333	147,524	78,952
Cash at bank and in hand	35,465	57,647	33,479
	762,794	614,226	339,737
Current liabilities			
Trade payable, other payables and accruals	174,657	121,781	98,489
Provision for tax	16,073	14,968	6,079
Defined benefit retirement obligation	4,017	4,360	–
Land premium payable	138,027	138,027	149,341
Amount due to a director	38,366	17,230	32,111
Amount due to shareholders	8,115	8,115	9,269
Amount due to a minority shareholder	–	2,359	–
Bank and other borrowings	219,776	213,345	103,485
	599,031	520,185	398,774
Net current assets/(liabilities)	163,763	94,041	(59,037)
Total assets less current liabilities	1,967,981	1,882,601	1,467,891
Non- current liabilities			
Bank and other borrowings	141,917	141,897	151,285
Deposit received	345	354	–
Deferred Tax	–	–	–
	142,262	142,251	151,285
Minority interest	220,391	186,856	126,405
Net assets	1,605,328	1,553,494	1,190,201
CAPITAL AND RESERVES	1,605,328	1,553,494	1,190,201

Detailed pro forma adjustments considered appropriate pursuant to the basis of the preparation of the respective pro forma balance sheets are shown in the following sections 3 to 5.

3. Pro forma Consolidated Balance Sheet of Sino-i Group (excluding South Sea Group) *at 30 September 2003*

	At 30 September 2003 (unaudited Per interim results) HK$000	Adjustment[1] HK$000	Adjustment[2] HK$000	Adjustment[3] HK$000	Adjustment[4] HK$000	Adjustment[5] HK$000	Adjustment[6] HK$000	Adjustment[7] HK$000	Adjustment[8] HK$000	Pro forma Consolidated Balance Sheet HK$000
ASSETS AND LIABILITIES										
Non-current assets										
Property, plant and equipment	735,672					(52,675)				682,997
Interest in associates	(8,744)					(208,848)			208,848	(8,744)
Other investments	304,030					(105,815)				198,215
Land held for development	3,786,104					(3,360,949)				425,155
Intangible assets	449,808			(188,263)		249,858		117,566	(122,374)	506,595
	5,266,870									1,804,218
Current assets										
Inventories	7,116					(3,437)				3,679
Short term investment	127									127
Trade and other receivables	764,359					(241,169)				523,190
Amounts due from related companies	2,154					198,179				200,333
Cash at bank and in hand	36,517					(1,052)				35,465
	810,273									762,794
Current liabilities										
Trade payable, other payables and accruals	430,283					(255,626)				174,657
Provision for tax	16,237					(164)				16,073
Defined benefit retirement obligation	4,017									4,017
Land premium payable	301,633					(163,606)				138,027
Amount due to a director	28,366	210,000	(200,000)							38,366
Amount due to shareholders	8,115									8,115
Amount due to a minority shareholder	0									0
Bank and other borrowings	531,147	(210,000)				(101,371)				219,776
	1,319,798									599,031
Net current assets/(liabilities)	(509,525)									163,763
Total assets less current liabilities	4,757,345									1,967,981
Non- current liabilities										
Bank and other borrowings	762,662		(200,000)			(420,745)				141,917
Deposit received	29,040					(28,695)				345
Deferred Tax	790					(790)				0
	792,492									142,262
Minority interest	1,016,808			(188,263)			(681,262)		73,108	220,391
Net assets	2,948,045									1,605,328
CAPITAL AND RESERVES										
Share capital	1,591,450		400,000		(1,792,305)					199,145
Share premium	472,736				(433,541)					39,195
Capital for distribution					2,225,846	(2,225,846)				0
Reserves	883,859					(329,065)	681,262	117,566	13,366	1,366,988
Shareholders' funds	2,948,045									1,605,328

Adjustment (1) Pro forma adjustment on loan from Mr. Yu to Sino-i which was onlent to the Company for repayment to Power Ocean Investments Limited

Adjustment (2) Pro forma adjustment on conversion of Sino-i Notes totalling HK$400 million into Sino-i Shares

Adjustment (3) Pro forma adjustment on subscription and conversion of South Sea Notes of HK$200 million

Adjustment (4) Pro forma adjustment on Capital Reduction

Adjustment (5) Pro forma adjustment on excluding assets and liabilities of the Company upon completion of Distribution

Adjustment (6) Pro forma adjustment on excluding minority interest attributable to minority shareholders of the Company upon completion of Distribution

Adjustment (7) Pro forma adjustment on excluding carrying value of goodwill on consolidation of the Company upon completion of Distribution

Adjustment (8) Pro forma adjustment on consolidation of Listar and reflecting the resultant minority shareholder's 49% interest in Listar upon completion of Distribution.

(South Sea Group owns 49% interest in Listar which is accounted for under the equity method of accounting with a carrying value of HK$208,848,000 at 30 September 2003. The remaining 51% interest in Listar are owned by the Sino-i Group. In the consolidated accounts of the Existing Sino-i Group, which effectively own 100% in Listar, included all the assets and liabilities of Listar. Upon completion of the Distribution, the Sino-i Group continues to hold 51% interest in Listar and the assets and liabilities of Listar continue to be consolidated into the accounts of Sino-i Group. In preparing proforma balance sheet, pro forma adjustments are made to reverse the HK$208,848,000 carrying value of the 49% interest in Listar as recorded by the South Sea Group, exclude the goodwill on consolidation of the 49% interest in Listar held by South Sea Group as recorded by the Existing Sino-i Group, and reflect the 49% minority interest in Listar after the Distribution.)

4. Pro forma Consolidated Balance Sheet of Sino-i Group (excluding South Sea Group)

at 31 March 2003

	At 31 March 2003 (audited)	Adjustment(1)	Adjustment(2)	Adjustment(3)	Adjustment(4)	Adjustment(5)	Adjustment(6)	Adjustment(7)	Adjustment(8)	Pro forma Consolidated Balance Sheet
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*
ASSETS AND LIABILITIES										
Non-current assets										
Property, plant and equipment	741,081					(55,347)				685,734
Interest in associates	(8,245)					(209,223)			209,223	(8,245)
Other investments	288,676					(100,000)				188,676
Land held for development	3,758,167					(3,333,012)				425,155
Intangible assets	439,367			(189,074)		256,937		115,805	(125,795)	497,240
	5,219,046									1,788,560
Current assets										
Inventories	7,495					(3,223)				4,272
Short term investment	398									398
Trade and other receivables	616,415					(212,030)				404,385
Amounts due from related companies	11,105					136,419				147,524
Cash at bank and in hand	66,469					(8,822)				57,647
	701,882									614,226
Current liabilities										
Trade payable, other payables and accruals	370,520					(248,739)				121,781
Provision for tax	15,132					(164)				14,968
Defined benefit retirement obligation	4,360									4,360
Land premium payable	301,633					(163,606)				138,027
Amount due to a director	7,230	210,000	(200,000)							17,230
Amount due to shareholders	8,115									8,115
Amount due to a minority shareholder	2,359									2,359
Bank and other borrowings	485,849	(210,000)				(62,504)				213,345
	1,195,198									520,185
Net current assets/(liabilities)	(493,316)									94,041
Total assets less current liabilities	4,725,730									1,882,601
Non- current liabilities										
Bank and other borrowings	1,001,509		(400,000)			(459,612)				141,897
Deposit received	29,049					(28,695)				354
Deferred Tax	790					(790)				0
	1,031,348									142,251
Minority interest	986,079			(189,074)			(683,447)		73,298	186,856
Net assets	2,708,303									1,553,494
CAPITAL AND RESERVES										
Share capital	1,391,450		600,000		(1,792,305)					199,145
Share premium	472,736				(433,541)					39,195
Capital for distribution					2,225,846	(2,225,846)				0
Reserves	844,117					(338,345)	683,447	115,805	10,130	1,315,154
Shareholders' funds	2,708,303									1,553,494

Adjustment (1) Pro forma adjustment on loan from Mr. Yu to Sino-i which was onlent to the Company for repayment to Power Ocean Investments Limited

Adjustment (2) Pro forma adjustment on conversion of convertible notes totalling HK$600 million into Sino-i Shares (including convertible notes of HK$200 million converted by Empire Gate Industrial Limited on 25 June 2003)

Adjustment (3) Pro forma adjustment on subscription and conversion of South Sea Notes of HK$200 million

Adjustment (4) Pro forma adjustment on Capital Reduction

Adjustment (5) Pro forma adjustment on excluding assets and liabilities of the Company upon completion of Distribution

Adjustment (6) Pro forma adjustment on excluding minority interest attributable to minority shareholders of the Company upon completion of Distribution

Adjustment (7) Pro forma adjustment on excluding carrying value of goodwill on consolidation of the Company upon completion of Distribution

Adjustment (8) Pro forma adjustment on consolidation of Listar and reflecting the resultant minority shareholder's 49% interest in Listar upon completion of Distribution

5. Pro forma Consolidated Balance Sheet of Sino-i Group (excluding South Sea Group)

at 31 March 2002

	At 31 March 2002 (audited)	Adjustment(1)	Adjustment(2)	Adjustment(3)	Adjustment(4)	Adjustment(5)	Adjustment(6)	Adjustment(7)	Adjustment(8)	Adjustment(9)	Adjustment(10)	Pro forma Consolidated Balance Sheet
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*
ASSETS AND LIABILITIES												
Non-current assets												
Increase in assets from issue of HK$400M notes	0		400,000								(400,000)	–
Property, plant and equipment	546,586					(94,183)						452,403
Interest in associates	(7,426)					(209,597)			209,597			(7,426)
Other investments	236,712					(80,000)				80,000		236,712
Land held for development	3,693,973					(3,264,754)						429,219
Intangible assets	368,270			(188,314)		258,786		109,902	(132,624)			416,020
	4,838,115											1,526,928
Current assets												
Inventories	30,663					(26,305)						4,358
Short term investment	1,649											1,649
Trade and other receivables	264,567					(43,268)						221,299
Amounts due from related companies	30,719					48,233						78,952
Cash at bank and in hand	262,102					(228,623)						33,479
	589,700											339,737
Current liabilities												
Trade payable, other payables and accruals	283,684					(185,195)						98,489
Provision for tax	6,243					(164)						6,079
Defined benefit retirement obligation	0											0
Land premium payable	309,917					(160,576)						149,341
Amount due to a director	22,111	210,000	(200,000)									32,111
Amount due to shareholders	9,269											9,269
Amount due to a minority shareholder	0											0
Bank and other borrowings	525,106	(210,000)				(211,621)						103,485
	1,156,330											398,774
Net current liabilities	(566,630)											(59,037)
Total assets less current liabilities	4,271,485											1,467,891
Non- current liabilities												
Bank and other borrowings	648,984					(497,699)						151,285
Deposit received	28,163					(28,163)						0
Deferred Tax	790					(790)						0
	677,937											151,285
Minority interest	910,734			(188,314)			(681,401)		73,386	12,000		126,405
Net assets	2,682,814											1,190,201
CAPITAL AND RESERVES												
Share capital	1,391,450		600,000		(1,792,305)							199,145
Share premium	472,736				(433,541)							39,195
Capital for distribution					2,225,846	(2,225,846)						0
Reserves	818,628					(329,657)	681,401	109,902	3,587	68,000	(400,000)	951,861
Shareholders' funds	2,682,814											1,190,201

Adjustment (1) Pro forma adjustment on loan from Mr. Yu to Sino-i which was onlent to the Company for repayment to Power Ocean Investments Limited

Adjustment (2) & (10) Pro forma adjustment on conversion of convertible notes totalling HK$600 million (including HK$200 million issued to First Best Assets Limited for repayment to Power Ocean Investments Limited and HK$400 million convertible notes issued on 31 December 2002) into Sino-i Shares. For the HK$400 million convertible notes issued on 31 December 2002, an asset item of HK$400 million was set up first to reflect the increase in asset from the issue of convertible notes and later reversed to reserves to reflect the resultant effect on the assets and liabilities of the Sino-i Group at 31 March 2002.

Adjustment (3) Pro forma adjustment on subscription and conversion of South Sea Notes of HK$200 million

Adjustment (4) Pro forma adjustment on Capital Reduction

Adjustment (5) Pro forma adjustment on excluding assets and liabilities of the Company upon completion of Distribution

Adjustment (6) Pro forma adjustment on excluding minority interest attributable to minority shareholders of the Company upon completion of Distribution

Adjustment (7) Pro forma adjustment on excluding carrying value of goodwill on consolidation of the Company upon completion of Distribution

Adjustment (8) Pro forma adjustment on consolidation of Listar and reflecting the resultant minority shareholder's 49% interest in Listar upon completion of Distribution

Adjustment (9) Pro forma adjustment on HK$80 million property project injected by a 85% owned subsidiary of Sino-i into the Company in July 2001 and is adjusted to reserve (less minority interest effect) in the pro forma consolidated balance sheet of the Sino-i Group at 31 March 2002.

PART D. COMFORT LETTER FROM AUDITORS

Certified Public Accountants
Member of
Grant Thornton International

Grant Thornton
均富會計師行

23 March 2004

The Directors
South Sea Holding Company Limited

Dear Sirs,

We refer to the circular dated 23 March 2004 (the "Circular") issued by South Sea Holding Company Limited (the "Company") in connection with the connected transaction involving the subscription by a wholly owned subsidiary of Sino-i Technology Limited ("Sino-i") of the notes to be issued by the Company and the major and connected transaction involving the acquisition by the Company of New Sino-i Shares (as defined in the Circular).

We have reviewed the pro forma income statements of Sino-i and its subsidiaries (collectively the "Sino-i Group") (excluding the Company and its subsidiaries (collectively the South Sea Group)) for the years ended 31 March 2001, 31 March 2002 and 31 March 2003 and the period from 1 April 2003 to 30 September 2003, and also the pro forma balance sheets of the Sino-i Group (excluding the South Sea Group) as at 31 March 2002, 31 March 2003 and 30 September 2003 as set out in the paragraphs headed "PRO FORMA INCOME STATEMENTS" and "PRO FORMA BALANCE SHEETS" under the section headed "Pro Forma Financial Information on Sino-i Group" on pages 178 to 192 of the Circular, for which the directors of the Company are solely responsible.

Based on our review, in our opinion:

1. the pro forma income statements and pro forma balance sheets have been properly compiled on the basis stated on pages 178 to 179 and 185 to 186 respectively;

2. such basis is consistent with the accounting policies of the Company; and

3. the adjustments are appropriate for the purposes of preparing the pro forma income statements and the pro forma balance sheets on the basis as if the South Sea Group had been excluded from the Sino-i Group throughout the years ended 31 March 2001, 31 March 2002 and 31 March 2003 and the period from 1 April 2003 to 30 September 2003, and as at 31 March 2002, 31 March 2003 and 30 September 2003.

Yours faithfully,

Grant Thornton
Certified Public Accountants
Hong Kong

I. PRO FORMA STATEMENT OF UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED GROUP

The following is a statement of the pro forma unaudited adjusted consolidated net tangible assets of the Enlarged Group immediately following the completion of the Subscription Agreement and conversion of the South Sea Notes and completion of the Sale and Purchase Agreement. It is prepared on the basis of the unaudited net assets of the South Sea Group as at 30 September 2003, adjusted to reflect the effect of the above events. The pro forma unaudited adjusted consolidated net tangible assets of the Enlarged Group is prepared on a basis consistent with accounting policies adopted by the South Sea Group and is for illustrative purposes only; and because of its nature, may not give a true picture of the financial position of the Enlarged Group after the above events.

	HK$'000
Unaudited consolidated net assets of the South Sea Group as at 30 September 2003	2,354,911
Less: Product development costs of the South Sea Group as at 30 September 2003	(211)
Add: Negative goodwill at 30 September 2003	250,069
Unaudited consolidated net tangible asset value of the South Sea Group before the respective events	2,604,769
Financial effects arising from:	
(a) Completion of Subscription Agreement	–
(b) Conversion of South Sea Notes	200,000
Subtotal prior to completion of Sale and Purchase Agreement	2,804,769
(c) Financial effect on Completion of the acquisition of the Sale Shares	
(i) Pro forma unaudited consolidated net assets of Sino-i Group acquired *(Note (a))*	1,605,328
(ii) Minority interest of 37.15% in Sino-i Group acquired	(596,379)
(iii) Negative goodwill on acquisition of Sino-i Group	(32,615)
(iv) Adjust negative goodwill on acquisition for the presentation of effect on net tangible assets	32,615
(v) Intangible assets of Sino-i Group acquired	(506,595)
(vi) Consolidation adjustment on goodwill on consolidation of Listar	(135,740)
(vii) 50% consideration due to Vendors	(488,167)
Pro forma unaudited adjusted consolidated net tangible assets of the Enlarged Group following Completion	2,683,216

The pro forma statement of adjusted assets and liabilities of the Enlarged Group in Part II of this Appendix shows the details of adjustments in respect of the above financial effect on Completion of the acquisition of Sale Shares.

Note: Pro forma unaudited consolidated net assets of Sino-i Group acquired:

(a) The following is a statement of the pro forma unaudited adjusted consolidated net assets of the Sino-i Group immediately following the completion of the Subscription Agreement and conversion of the South Sea Notes and completion of the Distribution. It is prepared on the basis of the unaudited net assets of the Existing Sino-i Group as at **30 September 2003**, adjusted to reflect the effect of the respective events:

		HK$'000
Unaudited consolidated net assets of the Existing Sino-i Group as at 30 September 2003		2,948,045
Less: Intangible assets of the Existing Sino-i Group as at 30 September 2003		(449,808)
Unaudited consolidated net tangible assets of the Existing Sino-i Group before the respective events		2,498,237
Financial effects arising from:		
(a) Conversion of all Sino-i Notes		400,000
(b) Negative goodwill arising from increase in shareholding in the Company upon conversion of South Sea Notes		188,263
Subtotal prior to Capital Reduction		3,086,500
(c) Financial effect on Capital Reduction		–
(d) Financial effect on Distribution		
(i) Excluding pro forma unaudited consolidated net tangible assets of South Sea Group before Distribution		(2,804,769)
(ii) Excluding minority interest of 23.55% in the Company immediately before Distribution		681,262
(iii) Consolidated adjustment on 49% in Listar		
– Reversal of the equity accounted carrying value of 49% interest in Listar by the South Sea Group	208,848	
– Adjustment for the resultant 49% minority interest in Listar in the Sino-i Group after Distribution	(73,108)	135,740
Pro forma unaudited adjusted consolidated net tangible assets of the Sino-i Group following Distribution		1,098,733
Add: intangible assets of the Sino-i Group following Distribution		506,595
Pro forma unaudited adjusted consolidated net assets of the Sino-i Group following Distribution		1,605,328

(b) The following is a statement of the pro forma unaudited adjusted consolidated net assets of the Sino-i Group immediately following the completion of the Subscription Agreement and conversion of the South Sea Notes and completion of the Distribution. It is prepared on the basis of the audited net assets of the Existing Sino-i Group as at

31 March 2003, adjusted to reflect the effect of the respective events (but not including the results from April to September 2003 of the Existing Sino-i Group). The pro forma unaudited adjusted consolidated net asset value of the Sino-i Group of HK$1,553,494,000 formed the basis of determination of the consideration under the Sale and Purchase Agreement.

		HK$'000
Audited consolidated net assets of the Existing Sino-i Group as at 31 March 2003		2,708,303
Less: Intangible assets of the Existing Sino-i Group as at 31 March 2003		(439,367)
Consolidated net tangible assets of the Existing Sino-i Group before the respective events		2,268,936
Financial effects arising from:		
(a) Conversion of all Sino Notes, including $200 million notes converted in June 2003		600,000
(b) Negative goodwill arising from increase in shareholding in the Company upon conversion of South Sea Notes calculated based on audited financial statements of South Sea Group to 31 March 2003		189,074
Subtotal prior to Capital Reduction		3,058,010
(c) Financial effect on Capital Reduction		–
(d) Financial effect on Distribution		
(i) Excluding pro forma unaudited consolidated net tangible assets of South Sea Group before Distribution (representing audited consolidated net tangible assets of South Sea Group at 31 March 2003 of HK$2,621,128,000 plus HK$200,000,000 following conversion of South Sea Notes)		(2,821,128)
(ii) Excluding minority interest of 23.55% in the Company immediately before Distribution		683,447
(iii) Consolidated adjustment on Listar		
– Reversal of the equity accounted carrying value of 49% interest in Listar by the South Sea Group	209,223	
– Adjustment for the resultant 49% minority interest in Listar in the Sino-i Group after Distribution	(73,298)	135,925
Pro forma unaudited adjusted consolidated net tangible assets of the Sino-i Group following Distribution		1,056,254
Add: intangible assets of the Sino-i Group following Distribution		497,240
Pro forma unaudited adjusted consolidated net assets of the Sino-i Group following the Distribution (basis for determination of the consideration under the Sale and Purchase Agreement)		1,553,494

II. PRO FORMA STATEMENT OF ADJUSTED ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is a pro forma statement of the adjusted assets and liabilities of the Enlarged Group based on the unaudited consolidated net assets of the Company as at 30 September 2003 and taking into account the effect of completion of the Subscription Agreement, conversion of the South Sea Notes and completion of the Sale and Purchase Agreement. The pro forma adjusted assets and liabilities of the Enlarged Group is prepared on a basis consistent with accounting policies adopted by the South Sea Group and is for illustrative purposes only; and because of its nature, may not give a true picture of the financial position of the Enlarged Group after the above events.

	Unaudited consolidated asset and liabilities of the South Sea Group as at 30 Sept 2003	Adjustment for subscription and conversion of South Sea Notes		Adjustment for acquisition of Sales Shares (1)	Adjustment for acquisition of Sales Shares (2)	Adjustment for acquisition of Sales Shares (3)	Adjustment for acquisition of Sales Shares (4)	Adjustment for acquisition of Sales Shares (5)	Pro forma adjusted assets and liabilities of the Enlarged Group
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*
ASSETS AND LIABILITIES									
Non-current assets									
Property, plant and equipment	52,675		52,675	682,997					735,672
Interest in associates	208,848		208,848	(8,744)			(208,848)		(8,744)
Other investments	105,815		105,815	198,215					304,030
Land held for development	3,360,949		3,360,949	425,155					3,786,104
Product development cost	211		211						211
Intangible assets	(250,069)		(250,069)	506,595		(32,615)	135,740		359,651
	3,478,429		3,478,429						5,176,924
Current assets									
Inventories	3,437		3,437	3,679					7,116
Short term investment	0		0	127					127
Trade and other receivables	241,169		241,169	523,190					764,359
Amounts due from related companies	0		0	2,154					2,154
Cash at bank and in hand	1,052		1,052	35,465					36,517
	245,658		245,658						810,273
Current liabilities									
Trade payable, other payables and accruals	465,626	(210,000)	255,626	174,657					430,283
Provision for tax	164		164	16,073					16,237
Defined benefit retirement obligation	0		0	4,017					4,017
Land premium payable	163,606		163,606	138,027					301,633
Amount due to a director	0		0	38,366					38,366
Amount due to shareholders	0		0	8,115					8,115
Amount due to related companies	188,179	10,000	198,179	(198,179)					0
Bank and other borrowings	101,371		101,371	219,776					321,147
	918,946		718,946						1,119,798
Net current liabilities	(673,288)		(473,288)						(309,525)
Total assets less current liabilities	2,805,141		3,005,141						4,867,399
Non- current liabilities									
Amount due to shareholders	0		0					488,167	488,167
Bank and other borrowings	420,745		420,745	141,917					562,662
Deposit received	28,695		28,695	345					29,040
Deferred tax	790		790	0					790
	450,230		450,230						1,080,659
Minority interest	0		0	220,391	596,379		(73,108)		743,662
Net assets	2,354,911		2,554,911						3,043,078

Adjustment (1) Pro forma adjustment on consolidating the assets and liabilities of the then Sino-i Group (excluding South Sea Group)

Adjustment (2) Pro forma adjustment for minority shareholders' interest of 37.15% in the Sino-i Group following the Company's acquisition of 62.85% in the Sino-i Group

Adjustment (3) Pro forma adjustment on negative goodwill on acquisition of the Sino-i Group

Adjustment (4) Pro forma adjustment on consolidation of Listar as following the acquisition of Sino-i Group, the Company's interest in Listar increase from 49% to 100%. The adjustment include reversal of the equity accounted carrying value of 49% interest in Listar by the South Sea Group of HK$208,848,000, the reversal of 49% minority interest of Listar of the then Sino-i Group of HK$73,108,000 and the resultant goodwill on consolidation

Adjustment (5) Pro forma adjustment to record the 50% consideration due to Vendors in relation to the acquisition of the Sale Shares

III. INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 31 December 2003, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$1,216.1 million, comprising secured loans from banks, financial institutions and other creditors of approximately HK$752.7 million, unsecured loans from banks and financial institutions with guarantees from certain third parties and a director of the Company of approximately HK$36.9 million, unsecured convertible notes of approximately HK$400 million, unsecured advances from a director of the Company of approximately HK$18.4 million, unsecured advances from shareholders of approximately HK$8.1 million. Certain secured loans from banks and financial institutions were guaranteed by a director of the Company.

The Enlarged Group's borrowings were secured by certain property, plant and equipment; shares in certain subsidiaries within the Enlarged Group; floating charge over certain assets of certain companies within the Enlarged Group; certain investment in and amount advanced to a subsidiary; undertaking on the part of the Enlarged Group for the assignment of rentals from the letting of certain investment properties; proceeds from sales of certain investment properties; certain listed securities and bank deposits; certain land held for development together with sales proceeds of certain land held for development.

As at 31 December 2003, the Enlarged Group had outstanding guarantees and contingent liabilities as follows:

(a) Guarantees in a total sum of approximately HK$138.8 million given in connection with credit facilities granted to (i) Genius Reward Company Limited (an associated company of the Sino-i Group held as to 50% by the Sino-i Group and as to the remaining 50% by an independent third party which is not a connected person of Sino-i or the Company), (ii) Guangzhou Hon Yam Business Technology Limited (an associated company of the South Sea Group held as to 35% by the South Sea Group and as to the remaining 65% by two independent third parties which are not connected persons of Sino-i or the Company), (iii) a minority shareholder which, together with its ultimate beneficial owner, is not a connected person of Sino-i or the Company and which holds an approximately 5% interest in Acesite (Philippines) Hotel Corp., a 77.67% subsidiary of Sino-i and a company listed on The Philippine Stock Exchange, Inc. and (iv) a third party which, together with its ultimate beneficial owners, are not connected persons of Sino-i or the Company. Out of the total guarantee of HK$138.8 million, HK$93.2 million was given by Sino-i, HK$34 million was given by a subsidiary of the Company and HK$11.6 million was given by a subsidiary of Sino-i.

(b) A guarantee by the Company for the sum of approximately HK$65 million, representing the payment obligations of the purchaser (an independent third party which is not a connected person of Sino-i or the Company) of a bank loan due by the purchaser to the bank as a result of its purchase from the bank of such loan which was originally owed by a subsidiary of the Company to the bank. The subsidiary concerned is Team Industrial Company Limited, as to 65% in which is held by the Company and as to the remaining 35% is held by a third party who, together with its ultimate beneficial owner is not a connected person of the Company or of Sino-i save for its substantial shareholding in such subsidiary. Sino-i also provided a guarantee of up to HK$40 million in respect of the same payment obligations.

(c) Pending Litigations:

(i) In prior years, Team Concepts Electronics Limited, a subsidiary of the South Sea Group, issued legal proceedings against an European distributor, Stadlbaucer Marketing & Vertrieb GmbH (“SMV”), for outstanding accounts receivable of approximately US$0.8 million (equivalent to about HK$6.2 million). SMV has filed a counterclaim for a sum amounting to Austrian Schilling 2.5 million (equivalent to about HK$1.6 million) for alleged breach of exclusive distributorship contracts. Up to the Latest Practicable Date, this court case is still in progress and no settlement has yet been received by the South Sea Group. The Directors are of the opinion that this litigation is unlikely to result in any material loss to the South Sea Group.

(ii) Acesite Limited, a member of the Sino-i Group, had pledged 74,889,231 issued common shares in Acesite (Philippines) Hotel Corp. (representing 75% of its total outstanding and issued shares) and Evallon Investment Limited, a member of the Sino-i Group, had pledged 10 shares in Acesite Limited (representing its entire issued share capital) in favour of a bank as security for a loan facility made available by the bank to Genius Reward Company Limited, an associate of Sino-i. The total outstanding amount under such loan facility was approximately US$1 million as at the Latest Practicable Date. On 17 February 2003, the bank purported to dispose of all such shares for a total consideration of approximately US$2 million. Acesite Limited is contesting such disposal of shares through court proceedings in the Philippines. This matter is currently pending trial by the court.

Save as set out above and apart from intra-group liabilities, to the best knowledge of the Directors, none of the companies in the Enlarged Group had as at the close of business on 31 December 2003 any material outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills), or any obligations under finance leases or hire purchase contracts or any guarantees or other material contingent liabilities.

Foreign currency amounts have for these purposes been converted into Hong Kong dollars at the approximate exchange rates prevailing as at the close of business on 31 December 2003.

The Directors were advised that, subsequent to 31 December 2003, HK$380,000,000 Sino-i Notes were converted into 3,800,000,000 Sino-i Shares. Apart from the above, the Board is not aware of any material change in the indebtedness and contingent liabilities of the Enlarged Group occurring after 31 December 2003.

IV. WORKING CAPITAL

The Board is of the opinion that the Enlarged Group will have sufficient working capital for its operations on the assumptions that:

(1) Additional construction loan of approximately HK$566,000,000 under negotiation to be obtained to finance the property development cost of property projects,

(2) there will be no material changes in economic conditions which will adversely affect the business of the Enlarged Group, and

(3) the prevailing exchange rates or interest rates will not change materially.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

The Company

(i) Interests in South Sea Shares in issue

Name of Director	**Number of South Sea Shares** *(Note)*	**Nature of interest**
Yu Pun Hoi	20,266,720,000	Corporate

Note: Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of Sino-i. These 20,266,720,000 South Sea Shares are collectively held by Victorious Limited, Robina Profits Limited and Ko Tact Limited which are all wholly-owned subsidiaries of Sino-i. As such, Mr. Yu is taken to be interested in these shares for the purposes of Part XV of the SFO.

(ii) Interests in underlying South Sea Shares

Name of Director	*Notes*	**Number of underlying South Sea Shares**
Yu Pun Hoi	1	11,111,111,111
	2	18,761,668,837

Notes:

1. Pursuant to the Subscription Agreement, the Company agreed to issue and Robina agreed to subscribe for the South Sea Notes in an aggregate principal amount of HK$200,000,000. The South Sea Notes are convertible into a total of 11,111,111,111 South Sea Shares at an initial conversion price of HK$0.018 each (subject to adjustments). Robina is a wholly owned subsidiary of Sino-i. As such, Mr. Yu is taken to be interested in these shares for the purposes of Part XV of the SFO.

2. Pursuant to the Sale and Purchase Agreement, the Company agreed to acquire from the Vendors a total of 12,515,795,316 New Sino-i Shares (of which 8,658,325,316 Sale Shares are held by companies controlled by Mr. Yu) at a consideration of HK$976,334,238, representing a price of approximately HK$0.078 each. Half of the consideration will be satisfied by an issue of a total of 27,120,395,500 Consideration Shares at a price of HK$0.018 each to the Vendors upon Completion. Those Vendors which are companies controlled by Mr. Yu are entitled to a total of 18,761,668,837 Consideration Shares under the Sale and Purchase Agreement. As such, Mr. Yu is taken to be interested in these 18,761,668,837 Consideration Shares for the purposes of Part XV of the SFO.

(iii) Interests in debentures of the Company

Pursuant to the Subscription Agreement, the Company agreed to issue and Robina agreed to subscribe for the South Sea Notes in an aggregate principal amount of HK$200,000,000. Robina is a wholly owned subsidiary of Sino-i. As such, Mr. Yu is taken to be interested in the South Sea Notes for the purposes of Part XV of the SFO.

Associated Corporation

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of Sino-i and Sino-i is the holding company of the Company. As such, Mr. Yu is taken to be interested in the shares that the Company holds in its associated corporations within the meaning of Part XV of the SFO. Sino-i is a company the shares of which are listed on the Stock Exchange which is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at the Latest Practicable Date, the interests and short positions of the Directors in Sino-i Shares were as follows:

(i) Interests in Sino-i Shares

	Number of Sino-i Shares			
Name of Director	**Personal interest**	**Corporate interest**	**Family interest**	**Total interest**
Yu Pun Hoi	–	8,658,325,316	44,000,000	8,702,325,316
Zhang Hong Ren	504,000	–	–	504,000

(ii) Short positions in Sino-i Shares

Name of Director	Number of Sino-i Shares	Nature of Interest
Yu Pun Hoi	8,658,325,316	Corporate

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO and persons interested in 10% or more of any other member of the South Sea Group

As at the Latest Practicable Date, so far as was known to the Directors, those persons, other than Directors or chief executive of the Company, who (a) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO; or (b) was, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the South Sea Group or in any options in respect of such capital, were as follows:

The Company

Name of persons	Interest held in South Sea Shares	Interest held in underlying South Sea Shares	Approximate percentage of the existing issued share capital of the Company *	*Notes*
Kung Ai Ming	20,266,720,000	11,111,111,111	67.71	1
	–	18,761,668,837	–	1
Sino-i Technology Limited	20,266,720,000	11,111,111,111	67.71	2
Victorious Limited	11,976,270,000	–	40.01	2
Ko Tact Limited	7,890,450,000	–	26.36	2
Robina Profits Limited	400,000,000	11,111,111,111	1.34	2
Perfect Union Overseas Inc.	2,100,000,000	–	7.02	3
Fu Liang	2,100,000,000	–	7.02	3
First Best Assets Limited	–	4,333,786,998	–	4
Rosewood Assets Limited	–	3,680,106,736	–	4
Actinna Development Limited	–	8,580,881,605	–	4
Righteous International Limited	–	2,166,893,498	–	4
CITIC	15,265,220,133	6,191,833,164	50.99	5
CITIC Capital Markets Holdings Limited	15,265,220,133	–	50.99	5
CITIC Pacific Limited	15,265,220,133	–	50.99	5
Golden Gateway Enterprises Inc.	15,265,220,133	–	50.99	5
Forever Glory Holdings Ltd.	15,265,220,133	–	50.99	5
Macro Resources Limited	–	2,166,893,498	–	4 & 5
Empire Gate Industrial Limited	–	4,333,786,997	–	6
Yiu Kin Wai	–	4,333,786,997	–	6

* *For the avoidance of doubt, interests in underlying South Sea Shares have not been taken into account when calculating the percentages set out above since these underlying South Sea Shares have not been issued as yet.*

Notes:

1. Ms. Kung Ai Ming is the spouse of Mr. Yu and is taken to be interested in the South Sea Shares in which Mr. Yu is taken to have an interest as disclosed above.

2. Victorious Limited, Ko Tact Limited and Robina Profits Limited are wholly-owned subsidiaries of Sino-i and the interests held by them in the Company are included as the interest of Sino-i. Pursuant to the Subscription Agreement, the Company agreed to issue and Robina agreed to subscribe for the South Sea Notes in an aggregate principal amount of HK$200,000,000. The South Sea Notes are convertible into a total of 11,111,111,111 South Sea Shares at an initial conversion price of HK$0.018 each (subject to adjustments). Robina is taken to be interested in these 11,111,111,111 South Sea Shares for the purposes of Part XV of the SFO.

3. Perfect Union Overseas Inc. is wholly-owned by Mr. Fu Liang. As such, Mr. Fu Liang is taken to be interested in the 2,100,000,000 South Sea Shares directly held by Perfect Union Overseas Inc.

4. First Best Assets Limited and Rosewood Assets Limited are taken to be interested in 4,333,786,998 and 3,680,106,736 Consideration Shares respectively under the Sale and Purchase Agreement. First Best Assets Limited, Rosewood Assets Limited and Actinna Development Limited are wholly-owned by Mr. Yu. Pippen Limited is wholly owned by Actinna Development Limited. As such, Actinna Development Limited is taken to be interested in the 8,580,881,605 Consideration Shares in which Pippen Limited holds an interest. Macro Resources Limited is owned as to 60% by Righteous International Limited and Righteous International Limited is wholly-owned by Mr. Yu. Righteous International Limited is taken to be interested in the 2,166,893,498 Consideration Shares in which Macro Resources Limited holds an interest. The interests of First Best Assets Limited, Rosewood Assets Limited, Actinna Development Limited and Righteous International Limited in the Company are included as part of the interest held by Mr. Yu.

5. Macro Resources Limited is owned as to 40% by Staverley Assets Limited. As such, Staverley Assets Limited is taken to be interested in the 2,166,893,498 Consideration Shares in which Macro Resources Limited holds an interest under the Sale and Purchase Agreement. In addition, Staverley Assets Limited itself is taken to be interested in 2,833,148,242 Consideration Shares and CITIC Information Technology Investment Company Limited is taken to be interested in 1,191,791,424 Consideration Shares under the Sale and Purchase Agreement. Both CITIC Information Technology Investment Company Limited and Staverley Assets Limited are indirectly wholly owned by CITIC. Their interests are included as part of the interest of CITIC.

   CITIC Capital Market Holdings Limited is indirectly held as to 50% by CITIC Pacific Limited, as to 25% by CITIC International Financial Holdings Limited and as to the remaining 25% directly by CITIC. Both CITIC International Financial Holdings Limited and CITIC Pacific Limited are companies the shares of which are listed on the Stock Exchange and in which CITIC controls a 53.84% and 28.88% interest respectively. Both Forever Glory Holdings Ltd. and Golden Gateway Enterprises Inc. are wholly owned subsidiaries of CITIC Pacific Limited. The interest held by CITIC Capital Markets Holdings Limited is included as part of the interests of Forever Glory Holdings Ltd., Golden Gateway Enterprises Inc., CITIC Pacific Limited and CITIC respectively.

6. Empire Gate Industrial Limited is wholly-owned by Mr. Yiu Kin Wai and its interest in the 4,333,786,997 Consideration Shares is included as part of the interest held by Mr. Yiu Kin Wai.

Subsidiaries

Name of subsidiary of the Company	Name of shareholder (other than a member of the Group) who is interested in 10% or more of the subsidiary	Number of shares or extent of interest directly held in the subsidiary	Approximate percentage of the existing issued share capital or registered capital of the subsidiary
Dong Guan Team Concepts Electronics Limited	東莞市東坑鎮對外經濟發展公司 (Dongguan Dong Keng Town Foreign Economic Development Company)	–	20%
Team Industrial Company Limited	Pacific Gloria Limited	20,000,000	35%

According to the register of interests in shares and short positions kept by the Company under section 336 of the SFO and so far as was known to the Directors, other than the interests disclosed above, there were no persons (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had notified to the Company any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, according to the Company's records, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the South Sea Group or in any options in respect of such capital.

3. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by members of the South Sea Group within the two years preceding the Latest Practicable Date and are or may be material:

(a) the Subscription Agreement; and

(b) the Sale and Purchase Agreement.

4. LITIGATION

So far as the Directors are aware, the Company and its subsidiaries are not engaged in any litigation or arbitration or claims which is, in the opinion of the Directors, of material importance and no litigation or claims which is, in the opinion of the Directors, of material importance is known to the Directors to be pending or threatened against any member of the South Sea Group.

5. MATERIAL CHANGES

Save for the interim results of the South Sea Group for the six months ended 30 September 2003 as set out in Appendix I to this circular, the Directors are not aware of any material adverse change in the financial or trading position of the South Sea Group since 31 March 2003, being the date to which its latest audited accounts were made up.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contracts with any member of the South Sea Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

7. ARRANGEMENTS AFFECTING DIRECTORS

Pursuant to the Sale and Purchase Agreement, the Company agreed to acquire from the Vendors a total of 12,515,795,316 New Sino-i Shares (of which 8,658,325,316 Sale Shares were held by companies controlled by Mr. Yu, a Director) at a consideration of HK$976,334,238, representing a price of approximately HK$0.078 each (subject to adjustments). Half of the consideration will be satisfied by an issue of 27,120,395,500 Consideration Shares at a price of HK$0.018 each to the Vendors upon Completion and the remaining half of the consideration will be satisfied by cash payments totalling HK$488,167,119 (subject to adjustments) to the Vendors on the date falling 60 months after the date of Completion or such later date as may be agreed among the Vendors and the Company. Those Vendors which are companies controlled by Mr. Yu are entitled to a total of 18,761,668,837 Consideration Shares and cash sums in the aggregate of HK$337,710,039 (subject to adjustments) under the Sale and Purchase Agreement.

Save as disclosed above,

(a) as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement entered into by any member of the South Sea Group subsisting at the Latest Practicable Date which was significant in relation to the business of the South Sea Group; and

(b) since 31 March 2003, the date to which the latest published audited financial statements of the South Sea Group were made up, none of the Directors has had any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the South Sea Group or proposed to be acquired or disposed of by or leased to any member of the South Sea Group.

8. EXPERT

Each of First Shanghai and Grant Thornton (certified public accountants) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

None of First Shanghai and Grant Thornton is beneficially interested in the share capital of any member of the South Sea Group and has no right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the South Sea Group.

Since 31 March 2003, the date to which the latest published audited financial statements of the South Sea Group were made up, none of First Shanghai and Grant Thornton has had any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the South Sea Group or proposed to be acquired or disposed of by or leased to any member of the South Sea Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong, 39th Floor, New World Tower I, 16-18 Queen's Road Central, Hong Kong up to and including the date of the SGM:

(a) the Subscription Agreement;

(b) the Sale and Purchase Agreement;

(c) the letter from the Independent Director;

(d) the letter of advice from First Shanghai to the Independent Director the text of which is set out in pages 40 to 63 of this circular;

(e) the written consent referred to in the section headed "Expert" in this Appendix;

(f) the memorandum of association and bye laws of the Company; and

(g) the annual reports of the Company for each of the two years ended 31 March 2002 and 31 March 2003 and the interim report of the Company for the six months ended 30 September 2003.

10. GENERAL

(a) The transfer office of the Company is Abacus Shares Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

(b) The principal place of business of the Company is situated at 39th Floor, New World Tower I, 16-18 Queen's Road Central, Hong Kong.

(c) The secretary of the Company is Mr. Watt Ka Po James, who is an associate member of Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators.

(d) The English text of this circular shall prevail over the Chinese text.

南海控股有限公司
SOUTH SEA HOLDING COMPANY LTD

South Sea Holding Company Limited

(Incorporated in Bermuda with limited liability)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of South Sea Holding Company Limited (the "**Company**") will be held at Salon II, The Ballroom Level (B3), The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on 16 April 2004 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions:

1. "THAT the Subscription Agreement (as defined and described in the circular of the Company dated 23 March 2004, a copy of which is produced to the Meeting marked "A" and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated in or incidental to the Subscription Agreement be and are hereby approved, confirmed and ratified; and the directors and the secretary of the Company or any of them be and are hereby authorised on behalf of the Company:

   (a) to sign, seal, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Subscription Agreement and all transactions contemplated thereunder;

   (b) to issue to Robina Profits Limited or such other persons as it may direct convertible loan notes in an aggregate principal amount of HK$200,000,000 (the "Notes") subject to and in accordance with the terms and conditions of the Subscription Agreement;

   (c) to issue and allot such number of shares in the Company to Robina Profits Limited or such other persons as it may direct upon its conversion of the Notes, credited as fully paid and ranking pari passu in all respects with all the existing issued shares in the Company, subject to and in accordance with the terms and conditions of the Subscription Agreement and the Notes;

   (d) to exercise or enforce all of the rights of the Company under the Subscription Agreement and the Notes; and

   (e) to complete the Subscription Agreement in accordance with its terms."

2. "THAT the Sale and Purchase Agreement (as defined and described in the circular of the Company dated 23 March 2004, a copy of which is produced to the Meeting marked "B" and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated in or incidental to the Sale and Purchase Agreement be and are hereby approved, confirmed and ratified; and the directors and the secretary of the Company or any of them be and are hereby authorised on behalf of the Company:

   (a) to sign, seal, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Sale and Purchase Agreement and all transactions contemplated thereunder;

   (b) to allot and issue to the Vendors (as defined and described in the circular of the Company dated 23 March 2004) or such other persons as they may respectively direct such numbers of shares in the Company as are determined under the Sale and Purchase Agreement, credited as fully paid and ranking pari passu in all respects with all the existing issued shares in the Company, towards satisfaction of the consideration payable by the Company under the Sale and Purchase Agreement subject to and in accordance with the terms and conditions thereof;

   (c) to exercise or enforce all of the rights of the Company under the Sale and Purchase Agreement; and

   (d) to complete the Sale and Purchase Agreement in accordance with its terms."

By Order of the Board
Watt Ka Po James
Company Secretary

Hong Kong, 23 March 2004

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Place of Business:
39th Floor
New World Tower I
16-18 Queen's Road Central
Hong Kong

Notes:

1. Any member who is the holder of two or more shares and who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.

2. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the branch share registrars of the Company in Hong Kong, Abacus Share Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.