



Notes to the Financial Statements

31 March 2001

1. GROUP REORGANISATION

The Company was incorporated in Bermuda on 10 January 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in April 2001, the Company became the holding company of the companies now comprising the Group on 26 March 2001 (the "Group Reorganisation"). This was accomplished by acquiring the entire issued share capital of Richlink International Holdings Limited ("Richlink International"), the then holding company of the subsidiaries listed in note 15 to the financial statements, in consideration of and in exchange for the allotment and issue of 10,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company, credited as fully paid, to the former shareholders of Ricklink International, and the existing 10,000,000 nil paid shares, credited as fully paid at par. Further details of the Group Reorganisation and of the subsidiaries acquired pursuant thereto are set out in notes 15 and 24, respectively, to the financial statements and in the Company's prospectus dated 30 March 2001.

2. CORPORATE INFORMATION

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 15 to the financial statements. There were no changes in the nature of the subsidiaries' principal activities during the year.

The Company is a subsidiary of Top Master Development Limited, a company incorporated in the British Virgin Islands, which is considered by the directors to be the Company's ultimate holding company at the balance sheet date.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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



3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation and consolidation

The Group Reorganisation involved companies under common control. The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation completed on 26 March 2001. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of acquisition of the subsidiaries. Accordingly, the consolidated results of the Group for the years ended 31 March 2000 and 2001 include the results of the Company and its subsidiaries with effect from 1 April 1999 or since their respective dates of incorporation, where this is a shorter period. The comparative consolidated balance sheet as at 31 March 2000 has been prepared on the basis that the existing Group had been in place at that date.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Comparative amounts have not been presented for the Company because the Company did not exist as at 31 March 2000.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital, or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been diminutions in values other than temporary, when they are written down to values determined by the directors.

Related parties

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



3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

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

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

Medium term leasehold land and buildings	Over the remaining lease terms
Leasehold improvements	20% or over the lease terms, whichever is shorter
Machinery and equipment	10 %
Moulds	25 %
Furniture, fixtures and office equipment	20 %
Motor vehicles	20 %

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in the retained profits is transferred directly to retained profits.

Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are not determined using discounted cash flows. Reductions in recoverable amounts are charged directly to the profit and loss account.



3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of the previous valuations is released to the profit and loss account.

Inventories

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

Accounts receivable

Accounts receivable, which generally have credit terms of 7-60 days, are recognised and carried at original invoiced amount. An estimate for doubtful debts is made and deducted when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Research and development costs

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

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

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



3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Scheme Ordinance, for all of its employees in Hong Kong. The Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries, limited to a maximum of HK\$1,000 per month, and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

Revenue recognition

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

- (a) the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and
- (c) rental income, on a time proportion basis over the lease terms.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing.

Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged/credited to the profit and loss account on the straight-line basis over the lease terms.



3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax

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

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries denominated in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks which are repayable within three months from the date of the advance.



4. TURNOVER AND REVENUE

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

An analysis of the Group's turnover and revenue by principal activity is as follows:

	2001 HK\$'000	2000 HK\$'000
By principal activity:		
Manufacture and sale of:		
Melamine products	120,335	78,818
Silicon rubber products	25,624	24,007
Turnover	145,959	102,825
Interest income	2	57
Gross rental income	60	–
Others	368	481
Other revenue	430	538
Total revenue	146,389	103,363

The Group's turnover is further analysed below by geographical area of principal market of the Group's products.

	2001 HK\$'000	2000 HK\$'000
Hong Kong	57,902	41,494
Southeast Asia	24,120	27,496
South America	50,809	25,129
Europe	11,473	6,275
Others	1,655	2,431
Turnover	145,959	102,825



5. PROFIT FROM OPERATING ACTIVITIES

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

	2001 HK\$'000	2000 HK\$'000
Cost of inventories sold	97,381	69,812
Auditors' remuneration	790	500
Depreciation:		
Owned fixed assets	13,609	13,713
Leased fixed assets	182	250
	13,791	13,963
Loss on disposal of fixed assets	424	9
Operating lease rentals in respect of leasehold land and buildings	934	557
Staff costs (excluding directors' remuneration – note 7)		
Salaries and wages	9,678	7,767
Pension scheme contributions	28	–
	9,706	7,767
Provision for diminution in value of leasehold land and buildings	700	200
Exchange losses, net	3	66
Gross and net rental income	(60)	–

The cost of inventories sold includes approximately HK\$20,150,000 (2000: HK\$19,385,000) relating to staff costs and depreciation, included in the amounts separately disclosed above.



5. PROFIT FROM OPERATING ACTIVITIES (Continued)

The profit from operating activities by principal activity and by geographical area of principal market of the Group's products is analysed as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
By principal activity:		
Manufacture and trading of:		
Melamine products	33,193	19,884
Silicon rubber products	5,953	6,482
Profit from operating activities	39,146	26,366

	Group	
	2001 HK\$'000	2000 HK\$'000
By geographical area:		
Hong Kong	16,471	10,639
Southeast Asia	6,439	7,050
South America	13,564	6,443
Europe	2,155	1,609
Others	517	625
Profit from operating activities	39,146	26,366



6. DIRECTORS' REMUNERATION

The remuneration of the directors of the Company for the period disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance is analysed as follows:

	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	5	–
	5	–
Other emoluments of executive directors:		
Basic salaries, other allowances and benefits in kind	1,019	728
Pension scheme contributions	12	–
	1,031	728
	1,036	728

The remuneration of each of the three executive directors fell within the nil to HK\$1,000,000 band.

During the period, there were no bonuses paid to or receivable by the directors (2000: Nil). No directors waived or agreed to waive any remuneration during the period (2000: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2000: Nil).



7. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three (2000: Three) directors, details of whose remuneration are set out above. Further details of the remuneration of the remaining two (2000: Two) highest paid, non-director individuals, which both fell within the nil – HK\$1,000,000 band, are as follows:

	2001 HK\$'000	2000 HK\$'000
Basic salaries, other allowances and benefits in kind	475	468
Pension scheme contributions	5	–
	480	468

During the year, there were no bonuses paid to or receivable by any of the five highest paid individuals of the Group (2000: Nil). No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2000: Nil).

8. FINANCE COSTS

	2001 HK\$'000	Group 2000 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	631	543
Bank loans wholly repayable beyond five years	1,178	1,182
Other loan	110	17
Interest on finance leases	87	157
	2,006	1,899

9. TAX

	2001 HK\$'000	Group 2000 HK\$'000
Current year provision for Hong Kong profits tax	3,575	742
Deferred tax (note 23)	–	742
Tax charge for the year	3,575	1,484

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong for the year.



10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the period from 10 January 2001 (date of incorporation) to 31 March 2001 was approximately HK\$222,000.

11. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation.

The dividends for the years ended 31 March 2000 and 2001 were declared and paid by a subsidiary of the Company to its then shareholders prior to the Group Reorganisation, which was completed on 26 March 2001. Further details of the Group Reorganisation are set out in note 1 to the financial statements and in the Company's prospectus dated 30 March 2001.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$33,565,000 (2000: HK\$22,983,000) and the weighted average of 328,000,000 (2000: 328,000,000) ordinary shares.

The weighted average number of shares used to calculate the basic earnings per share for the two years ended 31 March 2001 includes the pro forma issued share capital of the Company, comprising 10,000,000 ordinary shares issued nil paid upon incorporation of the Company, 10,000,000 shares issued for the acquisition of Richlink International and the capitalisation issue of 308,000,000 shares, as set out in detail in note 24 to the financial statements.

There were no potential dilutive shares in existence for the two years ended 31 March 2001 and, accordingly, no diluted earnings per share has been presented.

13. FIXED ASSETS

Group

	Medium term leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Moulds HK\$'000	Furniture, fixtures, and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:							
At beginning of year	7,668	2,463	67,170	25,317	1,916	1,236	105,770
Additions	-	155	147	1,836	107	537	2,782
Disposals	-	-	-	-	(18)	(938)	(956)
Transfer	(1,256)	-	-	-	-	-	(1,256)
Deficit on revaluation	(916)	-	-	-	-	-	(916)
At 31 March 2001	5,496	2,618	67,317	27,153	2,005	835	105,424
Accumulated depreciation:							
At beginning of year	-	2,459	17,833	15,337	1,244	1,051	37,924
Provided during the year	244	27	6,732	6,222	399	167	13,791
Disposals	-	-	-	-	(11)	(469)	(480)
Transfer	(28)	-	-	-	-	-	(28)
Written back on revaluation	(216)	-	-	-	-	-	(216)
At 31 March 2001	-	2,486	24,565	21,559	1,632	749	50,991
Net book value:							
At 31 March 2001	5,496	132	42,752	5,594	373	86	54,433
At 31 March 2000	7,668	4	49,337	9,980	672	185	67,846
An analysis of cost or valuation:							
At cost	-	2,618	67,317	27,153	2,005	835	99,928
At valuation	5,496	-	-	-	-	-	5,496
	5,496	2,618	67,317	27,153	2,005	835	105,424



13. FIXED ASSETS (Continued)

The Group's leasehold land and buildings situated in Hong Kong were revalued on 31 March 2001 by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers, on an open market value basis, at HK\$5,496,000. A deficit of HK\$700,000 arising therefrom has been charged to the profit and loss account. Had the Group's leasehold land and buildings situated in Hong Kong been stated at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK\$8,096,000 (2000: HK\$9,568,000).

All of the Group's leasehold land and buildings are situated in Hong Kong and are pledged to secure general banking facilities granted to the Group as detailed in note 19 to the financial statements.

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

	2001 HK\$'000	Group 2000 HK\$'000
Machinery and equipment	276	687
Motor vehicles	492	537
	768	1,224

14. INVESTMENT PROPERTY

	2001 HK\$'000	Group 2000 HK\$'000
At beginning of year	–	–
Transfer from fixed assets	1,228	–
At end of year	1,228	–

The investment property is situated in Hong Kong and held under medium term leases. Such property was revalued on 31 March 2001 by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers, on an open market value basis, at HK\$1,228,000. There is no revaluation difference arising from the valuation.

At 31 March 2001, the Group's investment property was pledged to secure general banking facilities granted to the Group as detailed in note 19 to the financial statements.



15. INTERESTS IN SUBSIDIARIES

	Company 2001 HK\$'000
Unlisted shares, at cost	56,167
Due to subsidiaries	(2,990)
	53,177

The amount due to the subsidiaries is unsecured, interest-free and is not repayable in the next twelve months.

Particulars of the subsidiaries of the Company as at 31 March 2001 were as follows:

Name of company	Place of incorporation/ registration and principal operation	Issued and fully paid-up share capital	Attributable equity interests		Principal activities
			Directly	Indirectly	
Richlink International Holdings Limited	British Virgin Islands ("BVI")	Ordinary US\$1,000	100%	–	Investment holding
Gold Wo Melamine Products Company Limited	Hong Kong	Ordinary HK\$300,000	–	100%	Manufacture and sale of melamine products
Richlink Asia Limited	Hong Kong	Ordinary HK\$1,000,000	–	100%	Manufacture and sale of silicon rubber products
Top Executive Developments Limited	BVI	Ordinary US\$10	–	100%	Dormant



16. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	9,318	4,466
Work in progress	1,498	396
Finished goods	1,833	638
	12,649	5,500

17. ACCOUNTS RECEIVABLE

The aged analysis of accounts receivable was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Outstanding balances aged:		
Within 30 days	10,113	2,082
Between 31 to 60 days	2,179	354
Between 61 to 180 days	2,372	1,053
Between 181 to 360 days	–	154
	14,664	3,643

18. DUE FROM A DIRECTOR

Particulars of the amount due from a director, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Name of director	Balance at 31 March 2001 HK\$'000	Maximum amount outstanding during the year HK\$'000	Balance at 1 April 2000 HK\$'000
Mr. Fu Chu Kan	–	5,334	3,478

The amount due from a director was unsecured, interest-free and was fully settled during the year.



19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2001	Group 2000
	HK\$'000	HK\$'000
Bank overdrafts, secured	–	120
Bank loans, secured	10,499	10,657
Trust receipts loans, secured	2,838	2,241
Other loans, unsecured	1,152	2,537
	14,489	15,555

	2001	Group 2000
	HK\$'000	HK\$'000
Bank loans and other loans are repayable:		
Within one year	2,276	2,207
In the second year	482	1,508
In the third to fifth years, inclusive	1,725	1,356
Beyond five years	7,168	8,123
	11,651	13,194
Portion classified as current liabilities	(2,276)	(2,207)
Non-current portion	9,375	10,987

As at 31 March 2001, the bank facilities of the Group were secured by:

- (i) first legal charges on the Group's leasehold land and buildings and investment property with carrying values of approximately HK\$5,496,000 and HK\$1,228,000, respectively (notes 13 and 14).
- (ii) first legal charges on two properties owned by a director of the Company and his spouse respectively; and
- (iii) unconditional personal guarantees executed by a director of the Company.

The Group has received consent, in principle, from the relevant bankers to the effect that the legal charges on the two properties owned by a director of the Company and his spouse, respectively, and the personal guarantees given by a director of the Company will be released and replaced by corporate guarantees of the Company and/or other security provided by members of the Group, following the listing of the shares of the Company on the Stock Exchange on 12 April 2001. The directors understand that the bankers are currently in the process of finalising the relevant documentation for the release and replacement of the legal charges and the guarantees stated above.



20. ACCOUNTS PAYABLE

The aged analysis of accounts payable was as follows:

	2001	Group
	HK\$'000	2000
		HK\$'000
Outstanding balances aged:		
Within 30 days	1,998	1,484
Between 31 to 60 days	1,104	936
Between 61 to 180 days	2,626	3,259
Between 181 to 360 days	1,218	1,160
	6,946	6,839

21. FINANCE LEASE PAYABLES

There were commitments under finance leases at the balance sheet date as follows:

	2001	Group
	HK\$'000	2000
		HK\$'000
Amount payable:		
Within one year	164	429
In the second year	164	19
In the third to fifth years, inclusive	217	–
Total minimum finance lease payments	545	448
Less: Future finance charges	(99)	(71)
Total net finance lease payables	446	377
Less: Portion classified as current liabilities	(136)	(360)
Non-current portion	310	17

22. SHAREHOLDER'S LOANS

The amount was unsecured, interest-free and has no fixed terms of repayment. The directors are of the opinion that the amount will not be repayable in the next twelve months.



23. DEFERRED TAX

	2001 HK\$'000	Group 2000 HK\$'000
At beginning of year	3,292	2,550
Charge for the year	–	742
At 31 March	3,292	3,292

The Group's provision for deferred tax is made principally in respect of accelerated depreciation allowances to the extent that a liability is expected to crystallise.

The Group did not have any significant unprovided deferred tax liabilities as at 31 March 2001 (2000: Nil).

24. SHARE CAPITAL

Shares

	HK\$'000
Authorised:	
10,000,000,000 shares of HK\$0.01 each	100,000
Issued and fully paid:	
20,000,000 shares of HK\$0.01 each	200

The following movements in the Company's authorised and issued share capital took place during the period from 10 January 2001 (date of incorporation) to the date of approval of these financial statements.

- (i) Upon incorporation, the authorised share capital of the Company was HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each.
- (ii) On 5 February 2001, 10,000,000 shares of HK\$0.01 each was allotted and issued nil paid.
- (iii) On 26 March 2001, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of 9,990,000,000 additional shares of HK\$0.01 each, ranking pari passu with the existing share capital of the Company.



24. SHARE CAPITAL (Continued)

Shares (Continued)

- (iv) On 26 March 2001, as part of the Group Reorganisation described in note 1, the Company (a) issued an aggregate of 10,000,000 new shares of HK\$0.01 each credited as fully paid at par, and (b) credited as fully paid at par the existing 10,000,000 shares issued nil paid on 5 February 2001 as set out in (ii) above, in consideration of and in exchange for the acquisition of the entire issued share capital of Richlink International. The excess of the fair value of the shares of Richlink International, determined on the basis of the consolidated net assets of Richlink International at that date over the nominal value of the Company's shares issued in exchange therefor, amounting to HK\$55,967,000, was credited to the Company's contributed surplus as detailed in note 25 to the financial statements.
- (v) On 26 March 2001, a total of 308,000,000 shares of HK\$0.01 each were allotted as fully paid at par to the holders of the shares of the Company whose names appeared on the register of members of the Company at the close of business on that date, in proportion to their then respective shareholdings, by way of the capitalization of the sum of HK\$3,080,000 standing to the credit of the share premium account of the Company, conditional upon the share premium account being credited as a result of the new issue and placing of shares to the public as detailed in (vi) below. For the purpose of preparing the financial statements of the Group for the years ended 31 March 2001 and 2000, these shares are deemed to have been in issue, nil paid, since 1 April 1999.
- (vi) Subsequent to the balance sheet date, on 12 April 2001, 72,000,000 shares of HK\$0.01 each were issued at HK\$0.5 each to the public by way of a new issue and placement of shares, for a total cash consideration, before related expenses, of HK\$36,000,000.

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

	Notes	Number of shares issued	Par value HK\$'000
Shares allotted and issued nil paid	(ii)	10,000,000	–
Shares issued as consideration for the acquisition of the entire share capital of Richlink International	(iv)	10,000,000	100
Application of contributed surplus to pay up nil paid shares	(iv)	–	100
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the public share issue	(v)	308,000,000	–
Proforma issued share capital as at 31 March 2000 and 2001		328,000,000	200
New issue and placing of shares to the public	(vi)	72,000,000	720
Capitalisation of the share premium account as set out above	(v)	–	3,080
Share capital at the date of approval of the financial statements		400,000,000	4,000



24. SHARE CAPITAL (Continued)

Share options

On 26 March 2001, the Company adopted a share option scheme (the "Scheme") conditional upon the listing of the Company's shares, under which the directors may, at their discretion, invite any full time employees of the Company or any of its subsidiaries, including any directors (other than non-executive directors), to take up options to subscribe for shares in the Company. The subscription price is determined by the directors, but may not be less than the higher of the nominal value of the Company's shares or 80% of the average of the closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option. A nominal cash consideration of HK\$1 is payable on acceptance of the grant of an option.

The maximum number of shares in respect of which options may be granted under the Scheme is 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued upon the exercise of any options granted under the Scheme or any other share option scheme.

No option may be granted to any one person which, if exercised in full, will result in the total number of shares already issued and which may fall to be issued to him under all of the options previously granted to him pursuant to the Scheme exceeding 25% of the maximum aggregate number of shares for the time being issued and which may fall to be issued under the Scheme.

The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 12 April 2001, subsequent to the balance sheet date. As at the date of approval of the financial statements, no options had been granted or agreed to be granted under the Scheme.

25. RESERVES

Group

	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 1999	1,100	23,807	24,907
Net profit for the year	–	22,983	22,983
Dividends	–	(10,000)	(10,000)
At 31 March 2000 and at 1 April 2000	1,100	36,790	37,890
Net profit for the year	–	33,565	33,565
Dividends	–	(13,000)	(13,000)
At 31 March 2001	1,100	57,355	58,455



25. RESERVES (Continued)

Company

	Contributed surplus HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
Arising on acquisition of Richlink International (note 24)	55,967	–	55,967
Net loss for the year	–	(222)	(222)
At 31 March 2001	55,967	(222)	55,745

Notes:

- (a) The contributed surplus of the Group represents the difference between the nominal value of share capital of the subsidiaries acquired pursuant to the Group Reorganisation, set out in note 1 to the financial statements, over the nominal value of the shares in the Company issued in exchange therefor.

The contributed surplus of the Company represents the difference between the then combined net asset value of the subsidiaries acquired pursuant to the same reorganisation over the nominal value of the shares of the Company's shares issued in exchange therefor.

- (b) Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of contributed surplus under certain circumstances.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Profit from operating activities	39,146	26,366
Depreciation	13,791	13,963
Interest income	(2)	(57)
Provision for diminution in value of leasehold land and buildings	700	200
Loss on disposal of fixed assets	424	9
Increase in inventories	(7,149)	(688)
Decrease/(increase) in accounts receivable	(11,021)	1,545
Decrease/(increase) in prepayments, deposits and other receivables	(11,016)	1,894
Decrease/(increase) in amount due from a director	3,478	(3,630)
Increase in accrued liabilities and other payables	8,050	2,003
Increase/(decrease) in accounts payable	107	(543)
Net cash inflow from operating activities	36,508	41,062



26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in the Group's financing during the year

	Share holders loans HK\$'000	Bank and other loans HK\$'000	Finance lease obligations HK\$'000
At 1 April 1999	10,000	14,047	707
Net cash outflow from financing	–	(853)	(910)
Inception of finance lease contracts	–	–	580
At 31 March 2000 and at 1 April 2000	10,000	13,194	377
Net cash outflow from financing	(7,500)	(1,543)	(411)
Inception of finance lease contracts	–	–	480
At 31 March 2001	2,500	11,651	446

(c) Major non-cash transactions

- (i) The Group Reorganisation in preparation for the public listing of the Company's shares involved the acquisition of Richlink International by the issue of shares of the Company, further details of which are set out in notes 1 and 24 to the financial statements.
- (ii) During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the finance lease of HK\$480,000 (2000: HK\$580,000).



27. COMMITMENTS

	Group	
	2001 HK\$'000	2000 HK\$'000
(a) Annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	686	88
In the second to fifth years, inclusive	375	771
	1,061	859
(b) Capital commitments contracted for in respect of purchases of fixed assets	5,269	–

The Company did not have any significant commitments at the balance sheet date.

28. CONTINGENT LIABILITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Bills discounted with recourse	443	–

The Company did not have any contingent liability at the balance sheet date.

29. POST BALANCE SHEET EVENT

In addition to the matters set out in note 24 to the financial statements, on 12 April 2001, the Company issued 72,000,000 new shares of HK\$0.01 each to the public, upon listing of its shares on the Stock Exchange, at a price of HK\$0.5 per share for a total consideration, before related expenses, of HK\$36,000,000.



30. RELATED PARTY TRANSACTIONS

The Group had transactions with a substantial shareholder of the Company as set out below:

	2001 HK\$'000	2000 HK\$'000
Sale of goods	7,306	6,593

The Group sold silicon rubber keypads to a substantial shareholder of the Company on the same terms and conditions as the Group sold the same product item to independent third parties.

In addition to the above, the Group also had the following significant transactions with related parties during the year:

- (i) Mr. Fu Chu Kan, a director of the Company, has executed personal guarantee for banking facilities granted to the Group at nil consideration; and
- (ii) two properties located in Hong Kong and owned by Mr. Fu Chu Kan, a director of the Company, and his spouse, respectively, were pledged to secure certain banking facilities granted to the Group at nil consideration.

The above related party transactions with a substantial shareholder of the Company would constitute connected transactions, as defined in the Listing Rules, should the Company's shares become listed on the Stock Exchange at the date of these transactions.

In respect of these transactions, a conditional waiver from strict compliance with the connected transaction requirements as set out in Chapter 14 of the Listing Rules has been obtained subsequent to the listing of the Company's shares on 12 April 2001.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 26 July 2001.