

## Notes to the Accounts

### 1 PRINCIPAL ACCOUNTING POLICIES

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

#### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties and leasehold land and buildings.

#### (b) Basis of consolidation

- (i) The consolidated accounts comprise the accounts of the Company and all its subsidiaries made up to 31st March. All significant transactions and balances between and among the Company and its subsidiaries are eliminated on consolidation.
- (ii) A subsidiary is a company in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.
- (iii) The Company's interests in subsidiaries are stated at cost less any provision made to the extent that the directors consider significant diminution in value other than temporary in nature has taken place. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.
- (iv) Minority interests represent the interest of outside shareholders in the operating results and net assets of subsidiaries.
- (v) The capital reserve arising on shares exchanged on the merger represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof.

#### (c) Revenue recognition

Revenue from the sales of goods is recognised, net of discounts and returns, on the transfer of risks and rewards of ownership, which generally coincides with time of delivery.

Rental income is recognised on a time proportion basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

#### (d) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowable. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the accounts. The deferred tax effect of timing differences, computed under the liability method, is recognised in the accounts to the extent it is probable a liability or an asset will be crystallised in the foreseeable future.

## Notes to the Accounts

### (e) Fixed assets

#### (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 long-term investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued at intervals of not more than three years by independent valuers; in each of the intervening years, valuations are undertaken by professionally qualified executives of the Group. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

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

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

#### (ii) *Leasehold land and buildings*

Leasehold land and buildings are stated at valuation, being fair value at the date of revaluation, less subsequent accumulated amortisation or depreciation. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, and is determined on the basis of existing use.

It is the group policy to review regularly the fair value of fixed assets on an individual basis. If it is considered appropriate, independent professional valuations are obtained. If the fair value is in excess of the carrying amount of the relevant asset, the surplus is credited to the revaluation reserve to the extent that it is not covered by deficits arising on prior valuations of that asset which have been previously charged to the profit and loss account. If the fair value is less than the carrying amount of the relevant asset the deficit is charged to the profit and loss account to the extent that it is not covered by surpluses arising on prior valuations of that asset which have been previously credited to the revaluation reserve.

#### (iii) *Amortisation of leasehold land*

Amortisation of leasehold land is calculated to write off its valuation over the unexpired period of the lease on a straight-line basis. The annual rates used for this purpose are 1.52% to 2%.

#### (iv) *Depreciation of leasehold buildings*

Depreciation of leasehold buildings is calculated to write off their cost or valuation on a straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group whichever is shorter. The principal annual rate used for this purpose is 2.5%.

#### (v) *Other fixed assets*

Other fixed assets are stated at cost less accumulated depreciation. Depreciation of other fixed assets is calculated to write off their cost on a straight-line basis over their expected useful lives to the Group. The principal annual rate used for this purpose is 20%.

## Notes to the Accounts

**(vi) Cost of restoring and improving fixed assets**

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

**(vii) Impairment of fixed assets**

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, their carrying amount is reduced to their recoverable amount. Recoverable amount is the amount which the Group expects to recover from the future use of the asset, including its residual value on disposal. Expected future cash flows have not been discounted in determining the recoverable amount. The amount of the reduction to recoverable amount is charged to the profit and loss account.

The amount of the reduction to recoverable amount is charged to the profit and loss account, unless it reverses a previous revaluation increase, in which case it is charged directly against any related revaluation reserve to the extent that the reduction does not exceed the amount held in the revaluation reserve in respect of the same item or group of identical assets.

**(viii) Gain or loss on disposal of fixed assets other than investment properties**

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

**(ix) Leased assets**

Where assets are acquired through finance leases or hire purchase contracts of a financing nature under which substantially all the risks and rewards of ownership, other than legal title, are transferred to the Group, the assets are treated as if they had been purchased. An amount equivalent to the cost is recorded as a fixed asset. The corresponding lease commitments are shown as obligations under finance leases and hire purchase contracts. Payments to the lessor are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account over the lease. Assets held under finance leases or hire purchase contracts are depreciated over the shorter of their estimated useful lives or lease periods as noted in (v) above.

All other leases are accounted for as operating leases and the rental payments are charged to the profit and loss account on a straight-line basis over the lease terms.

**(f) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost represents the invoiced cost of inventories, less volume discount. In general, costs are assigned to individual items on the first-in first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

**(g) Accounts receivable**

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

## Notes to the Accounts

### (h) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

### (i) Retirement benefit costs

The Group's contributions to the retirement schemes are expensed as incurred.

### (j) Research and development costs

Research and development costs are expensed as incurred, except for development costs where the technical feasibility of the product under development has been demonstrated, costs are identifiable and a market exists for the product such that it is probable that it will be profitable. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised.

### (k) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in assembling and trading of audio-visual products. Revenues recognised during the year are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Turnover		
Revenue from the sales of goods	147,672	335,542
Rental income from investment properties	—	99
	147,672	335,641
Other revenue		
Interest income	1,795	1,991
Total revenues	149,467	337,632

## Notes to the Accounts

An analysis of the Group's turnover and contribution to (loss)/profit before taxation by principal activities and markets is as follows:

	Turnover		Contribution to (loss)/ profit before taxation	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activities:				
Trading of				
Audio-visual products	111,477	218,943	(28,791)	30,059
Other home appliance products	2,466	—	(546)	—
Assembling and distribution of goods				
Rear projection colour televisions	16,338	73,003	(3,619)	18,909
DVD players	16,941	43,695	(8,764)	7,222
Digital cameras	450	—	(951)	—
	147,672	335,641	(42,671)	56,190
Less: net interest expenses			(4,863)	(6,234)
			(47,534)	49,956
By geographical location:				
Hong Kong	71,335	125,327	(19,511)	4,208
The People's Republic of China excluding Hong Kong (the "PRC")	76,337	210,314	(28,023)	45,748
	147,672	335,641	(47,534)	49,956

## Notes to the Accounts

**3 (LOSS)/PROFIT FROM OPERATIONS**

	Group	
	2001 HK\$'000	2000 HK\$'000
(Loss)/profit from operations is stated after crediting and charging the following:		
<b>Crediting</b>		
Write-back of provision for slow-moving inventories	139	—
<b>Charging</b>		
Auditors' remuneration	614	711
Cost of inventories sold	134,752	259,228
Depreciation of owned fixed assets	4,123	2,174
Depreciation of fixed assets held under hire purchase contract	175	—
Exchange loss	2,641	661
Fixed assets written-off	5,552	—
Loss on disposal of fixed assets	27	—
Operating lease rentals in respect of land and buildings	3,587	1,446
Provision for bad and doubtful debts	2,992	1,093
Provision for slow moving inventories	—	235
Research and development costs	1,081	990
Revaluation deficit in respect of investment properties and leasehold land and buildings not covered by previous surplus	2,580	89
Staff costs, including directors' emoluments	10,094	8,857
Write-off of bad debts	674	—

**4 FINANCE COSTS**

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	6,619	8,225
Interest element of hire purchase contract	39	—
	<b>6,658</b>	<b>8,225</b>

## Notes to the Accounts

**5 TAXATION CREDIT/(CHARGE)**

	Group	
	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax		
— current (note (a))	—	895
— overprovision in previous year	(217)	(107)
Deferred taxation (note 20)	—	(153)
	(217)	635

- (a) No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit for the year (2000: 16% on estimated assessable profit).
- (b) In accordance with the income tax law in the PRC, the subsidiary operating in Beijing is subject to a tax rate of 33% on its taxable profit. The subsidiary is granted full exemption from PRC profits tax for the first two years from its first profit-making year of operations followed by a 50% reduction in the profits tax for the next three years. The subsidiary, which was established on 28th January 1999, has applied the year ended 31st December 1999 as the first profit-making year for the aforesaid tax holiday. For the year ended 31st March 2001, the subsidiary had no estimated assessable profit, and hence, no PRC profit has been provided in the accounts.
- (c) Taxation recoverable in the consolidated balance sheet represents the amount of Hong Kong provisional tax paid. Taxation in last year's consolidated balance sheet represented the amount of Hong Kong profits tax provided for the current year and previous year less provisional tax paid.
- (d) Deferred taxation for the year has not been provided in respect of the following:

	Group	
	2001 HK\$'000	2000 HK\$'000
Accelerated depreciation	7	(1)
Taxation losses	(1,270)	3
	(1,263)	2

**6 (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

The (loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$2,080,000 (2000: profit of HK\$6,361,000).

## Notes to the Accounts

**7 DIVIDENDS**

	2001 HK\$'000	2000 HK\$'000
Interim, paid, by subsidiaries to their then shareholders before group reorganisation (note (a))	—	38,580
Final, proposed by the Company, of HK\$Nil (2000: HK\$0.03) per ordinary share	—	6,000
	—	44,580

- (a) The dividend rates and the number of shares ranking for the dividends mentioned above are not presented as such information is not considered meaningful for the purpose of these consolidated accounts.

**8 (LOSS)/EARNINGS PER SHARE — GROUP**

The calculation of basic (loss)/earnings per share is based on loss attributable to shareholders of HK\$45,357,000 (2000: profit of HK\$46,775,000) and the weighted average of 204,274,000 shares in issue (2000: 163,661,000 shares deemed to be issued) during the year.

Diluted earnings per share for the years ended 31st March 2001 and 2000 respectively was not disclosed as there were no dilutive potential ordinary shares.

**9 DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS****(a) Directors' emoluments**

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Fees (note (i))	100	—
Other emoluments		
— basic salaries and allowances	4,970	3,123
— bonuses	—	87
— contributions to pension scheme	9	—
	5,079	3,210

- (i) Directors' fees disclosed above include HK\$100,000 (2000: Nil) paid to independent non-executive directors.



## Notes to the Accounts

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2001	2000
HK\$Nil — HK\$1,000,000	4	2
HK\$1,000,001 — HK\$1,500,000	—	2
HK\$1,500,001 — HK\$2,000,000	3	—

Three of the above directors have resigned/retired prior to the year end and the remaining directors have also resigned subsequent to the year end.

During the year, four (2000: one) directors waived emoluments amounted to HK\$250,000 (2000: HK\$30,000).

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include three directors (2000: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2000: two) individuals during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kinds	722	834
Bonuses	—	—
Contributions to pension scheme	8	—
	730	834

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2001	2000
HK\$Nil — HK\$1,000,000	2	2

During the year ended 31st March 2001, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join the Group, or as compensation for loss of office.

**10 RETIREMENT BENEFIT COSTS**

The Group did not contribute to any pension fund scheme for its employees in Hong Kong before 1st December 2000. With effect from 1st December 2000, a mandatory provident fund scheme has been set up for all the eligible employees of the Group in Hong Kong. The mandatory provident fund scheme is a defined contribution retirement scheme and the contributions to the fund by the Group and employees are calculated as a percentage of employees' basic salaries.

The subsidiary operating in the PRC is required to participate in defined contribution retirement schemes organised by relevant local government authorities in the PRC. The subsidiary is required to make contributions to the retirement schemes at a rate of 11% to 19% on the basic salaries of its employees in the PRC.

The Group's total contributions paid for the above schemes during the year amounted to HK\$63,000 (2000: HK\$nil).

At 31st March 2001, the Group had no significant obligations for long service payments to its employees pursuant to the requirements under the Hong Kong Employment Ordinance.

## Notes to the Accounts

## 11 FIXED ASSETS

	Group					Company
	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	Furniture, fixtures and equipment HK\$'000
Cost or valuation						
At 1st April 2000	3,330	7,990	14,673	164	26,157	22
Exchange adjustment	—	—	(237)	(2)	(239)	—
Additions	—	—	16,215	1,170	17,385	22
Revaluation	(1,730)	(1,590)	—	—	(3,320)	—
Disposals	—	—	—	(80)	(80)	—
Write-off	—	—	(9,049)	—	(9,049)	—
At 31st March 2001	1,600	6,400	21,602	1,252	30,854	44
Accumulated depreciation						
At 1st April 2000	—	86	2,976	46	3,108	—
Exchange adjustment	—	—	(25)	—	(25)	—
Charge for the year	—	172	3,931	195	4,298	9
Revaluation	—	(258)	—	—	(258)	—
Disposals	—	—	—	(40)	(40)	—
Write-off	—	—	(3,497)	—	(3,497)	—
At 31st March 2001	—	—	3,385	201	3,586	9
Net book value						
At 31st March 2001	1,600	6,400	18,217	1,051	27,268	35
At 31st March 2000	3,330	7,904	11,697	118	23,049	22
The analysis of the cost or valuation of the above assets at 31st March 2001 is as follows:						
At cost	—	—	21,602	1,252	22,854	44
At 31st March 2001 valuation	1,600	6,400	—	—	8,000	—
	1,600	6,400	21,602	1,252	30,854	44
The analysis of the cost or valuation of the above assets at 31st March 2000 is as follows:						
At cost	—	—	14,673	164	14,837	22
At 30th September 1999 valuation	3,330	7,990	—	—	11,320	—
	3,330	7,990	14,673	164	26,157	22
Net book value of leased assets:						
At 31st March 2001	—	—	—	995	995	—
At 31st March 2000	—	—	—	—	—	—

## Notes to the Accounts

- (a) The Group's investment properties and leasehold land and buildings at their net book value are analysed as follows:

	2001 HK\$'000	2000 HK\$'000
In Hong Kong, held on		
leases of over 50 years	1,700	2,834
leases of between 10 to 50 years	6,300	8,400
	<b>8,000</b>	11,234

At 31st March 2001, the Group's investment properties and leasehold land and buildings were pledged to a bank as securities for banking facilities granted to the Group (note 24).

- (b) The Group's investment properties and leasehold land and buildings were revalued by LCH (Asia-Pacific) Surveyors Limited, independent professional valuers, on an open market value basis as at 31st March 2001.
- (c) The revaluation of the Group's investment properties and leasehold land and buildings does not constitute a timing difference for tax purpose.
- (d) The deficit arising from revaluation of investment properties amounting to HK\$1,730,000 (2000: HK\$6,000) has been charged to the consolidated profit and loss account. The deficit arising from revaluation of leasehold land and buildings amounting to HK\$1,332,000 (2000: deficit of HK\$83,000) has been set off against surplus of HK\$482,000 (2000: Nil) arising from earlier valuation, the remaining balance of HK\$850,000 (2000: HK\$83,000) has been charged to the consolidated profit and loss account.
- (e) The carrying amount of leasehold land and buildings that would be included in the accounts had they been carried at cost less accumulated depreciation is HK\$8,807,000 (2000: HK\$9,020,000) for the Group.

## 12 INVESTMENTS IN SUBSIDIARIES — COMPANY

	2001 HK\$'000	2000 HK\$'000
Unlisted, at cost (note (a))	82,069	82,069
Amounts due from subsidiaries (note (b))	59,927	56,969
Amount due to a subsidiary (note (c))	(53)	—
	<b>141,943</b>	139,038

## Notes to the Accounts

(a) The following is a list of the subsidiaries as at 31st March 2001:

Company name	Country/ place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued capital/ registered capital	Interest held	
				Directly	Indirectly
Beijing Durban Yu Chang Electronics Co., Ltd	The PRC	Assembly and distribution of televisions and video products in the PRC	US\$500,000	—	95%
Durban Company Limited	Hong Kong	Trading of audio and video products in Hong Kong and ceased operation in August 2000	Ordinary HK\$10,000	—	100%
Durban (Holdings) Limited	Hong Kong	Property investment and investment holding in Hong Kong	Ordinary HK\$1,000 Non-voting deferred shares HK\$70,000,000	—	100%
Durban Machinery Limited	Hong Kong	Inactive	Ordinary HK\$10,000	—	100%
Durban Technology Limited	Hong Kong	Trading of audio and video products in Hong Kong	Ordinary HK\$10,000	—	100%
Victor Century Limited	Hong Kong	Assembly and distribution of digital cameras and commenced business operation in April 2000 in Hong Kong	Ordinary HK\$500,000	—	52%
Yue Hong Enterprises Limited	The British Virgin Islands ("BVI")	Investment holding in Hong Kong	US\$1,000	100%	—

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

(c) The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

## Notes to the Accounts

**13 INVENTORIES**

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	3,733	6,828
Finished goods	643	1,545
	<b>4,376</b>	<b>8,373</b>

As at 31st March 2001, no inventories (2000: carrying amount of HK\$235,000) are carried at net realisable value.

**14 ACCOUNTS RECEIVABLE**

At 31st March 2001, the ageing analysis of accounts receivable was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within 30 days	6,243	27,861
31-60 days	16,630	15,006
61-90 days	6,795	17,425
Over 90 days	68,320	83,162
Less: provision for doubtful debts	(4,085)	(1,093)
	<b>93,903</b>	<b>142,361</b>

The normal credit period granted to the customers of the Group ranges from 60 to 90 days for customers in Hong Kong and from 90 to 150 days for customers in the PRC.

**15 CASH AND BANK BALANCES**

Included in the balances are cash and bank balances which are denominated in Reminbi, totalling RMB846,000 (2000: RMB8,160,000), equivalent to HK\$773,000 (2000: HK\$7,619,000). Reminbi is not a freely convertible currency.

**16 ACCOUNTS PAYABLE**

At 31st March 2001, the ageing analysis of accounts payable was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within 30 days	20	486
31-60 days	30	4,177
61-90 days	1	—
Over 90 days	1,929	1,713
	<b>1,980</b>	<b>6,376</b>

## Notes to the Accounts

## 17 SHARE CAPITAL

	Authorised	
	Ordinary shares of HK\$0.1 each	
	No. of shares	
	'000	HK\$'000
At 20th September 1999, date of incorporation	1,000	100
Increase in authorised ordinary share capital	599,000	59,900
At 31st March 2000 and 31st March 2001	600,000	60,000
	Issued and fully paid	
	Ordinary shares of HK\$0.1 each	
	No. of shares	
	'000	HK\$'000
At 20th September 1999, date of incorporation	—	—
Issue of shares	52,000	5,200
Capitalisation issue	148,000	14,800
At 31st March 2000	200,000	20,000
At 1st April 2000	200,000	20,000
Issue of shares (note (a))	15,000	1,500
At 31st March 2001	215,000	21,500

- (a) 15,000,000 shares were issued and allotted to Po Hang Investment Group Limited, the former substantial shareholder of the Company, on 18th December 2000 at a subscription price of HK\$0.30 per share for cash consideration of HK\$4,500,000. The shares were fully paid and ranked pari passu with the existing shares. The excess over the par value of the shares was credited to the share premium account.
- (b) Under a share option scheme approved by the shareholders, the directors of the Company may, at their discretion, invite full-time employees including executive directors to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue from time to time (excluding shares issued on exercise of options under the share option scheme). No share option was granted by the Company during the year.

## Notes to the Accounts

## 18 RESERVES

## (a) Group

	Share premium HK\$'000	Revaluation reserves HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (accumulated loss) HK\$'000	Total HK\$'000
At 1st April 1999	—	—	—	—	25,056	25,056
New issue of shares	62,500	—	—	—	—	62,500
New issue and listing expenses	(11,117)	—	—	—	—	(11,117)
Capitalisation issue	(14,800)	—	—	—	—	(14,800)
Reserve arising on group reorganisation (note (i))	—	—	69,903	—	—	69,903
Profit for the year retained	—	—	—	—	2,195	2,195
Surplus on revaluation of leasehold land and buildings	—	482	—	—	—	482
At 31st March 2000	36,583	482	69,903	—	27,251	134,219
At 1st April 2000	36,583	482	69,903	—	27,251	134,219
Exchange differences	—	—	—	(629)	—	(629)
New issue of shares (note 17(a))	3,000	—	—	—	—	3,000
New issue expenses	(255)	—	—	—	—	(255)
Loss for the year	—	—	—	—	(45,357)	(45,357)
Deficit on revaluation of leasehold land and buildings	—	(482)	—	—	—	(482)
At 31st March 2001	39,328	—	69,903	(629)	(18,106)	90,496

## Note:

- (i) Reserve arising on group reorganisation principally represents the amount of a subsidiary's share capital converted into non-voting deferred shares pursuant to the group reorganisation.

## Notes to the Accounts

## (b) Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits/ (accumulated loss) HK\$'000	Total HK\$'000
At 1st April 1999	—	—	—	—
New issue of shares	62,500	—	—	62,500
New issue and listing expenses	(11,117)	—	—	(11,117)
Capitalisation issue	(14,800)	—	—	(14,800)
Contributed surplus arising on group reorganisation (note (i))	—	81,869	—	81,869
Profit for the year retained	—	—	361	361
At 31st March 2000	36,583	81,869	361	118,813
At 1st April 2000	36,583	81,869	361	118,813
New issue of shares (note 17(a))	3,000	—	—	3,000
New issue expenses	(255)	—	—	(255)
Loss for the year (note (ii))	—	—	(2,080)	(2,080)
At 31st March 2001	39,328	81,869	(1,719)	119,478

## Notes:

- (i) The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (a) it is, or would after the payment be, unable to pay its liabilities as they become due, or (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.
- (ii) Distributable reserves of the Company at 31st March 2001 amounted to HK\$80,150,000 (2000: HK\$82,230,000).



## Notes to the Accounts

**19 NON-CURRENT LIABILITIES**

	2001 HK\$'000	Group 2000 HK\$'000
Obligations under hire purchase contract	627	—
Deferred taxation (note 20)	121	121
	748	121
Less: obligations under hire purchase contract repayable within one year	(314)	—
	434	121

At 31st March 2001, the Group's obligations under hire purchase contract were repayable as follows:

Within one year	314	—
In the second year	313	—
	627	—

**20 DEFERRED TAXATION**

	2001 HK\$'000	Group 2000 HK\$'000
At the beginning of the year	121	274
Transferred to profit and loss account (note 5)	—	(153)
At the end of the year (note 19)	121	121
Provided for in respect of:		
Accelerated depreciation allowances	121	121
Taxation losses	—	—
	121	121
The potential deferred taxation not provided for in the accounts amounts to:		
Accelerated depreciation allowances	10	3
Taxation losses	(1,270)	—
	(1,260)	3

## Notes to the Accounts

**21 RECONCILIATION OF (LOSS)/PROFIT FROM OPERATIONS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	Group	
	2001 HK\$'000	2000 HK\$'000
(Loss)/profit from operations	<b>(40,876)</b>	58,181
Interest income	<b>(1,795)</b>	(1,991)
Depreciation of owned fixed assets	<b>4,123</b>	2,174
Depreciation of fixed assets held under hire purchase contract	<b>175</b>	—
Revaluation deficit in respect of investment properties and leasehold land and buildings	<b>2,580</b>	89
Write-off of loss shared by a minority shareholder	<b>204</b>	—
Fixed assets written off	<b>5,552</b>	—
Loss on disposal of fixed assets	<b>27</b>	—
Decrease/(increase) in inventories	<b>3,997</b>	(2,610)
Decrease in amounts due from related companies and directors	<b>—</b>	38,270
Decrease/(increase) in accounts receivable, prepayments, deposits and other receivables	<b>41,584</b>	(73,928)
(Decrease)/increase in accounts payable, accrued charges and other payables including amounts due to directors	<b>(1,445)</b>	2,315
Net cash inflow from operating activities	<b>14,126</b>	22,500

## Notes to the Accounts

**22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT****(a) Analysis of changes in financing during the year**

	Share capital (including premium)		Minority interests		Obligations under hire purchase contract	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at the beginning of the year	56,583	—	2,787	241	—	—
Proceeds from issue of shares	4,500	82,500	—	—	—	—
New issue and listing expenses	(255)	(11,117)	—	—	—	—
Capitalisation issue	—	(14,800)	—	—	—	—
Increase in shareholding in a subsidiary	—	—	(2)	—	—	—
Write-off of loss shared by a minority shareholder	—	—	204	—	—	—
Capital contribution by minority shareholders	—	—	240	—	—	—
Minority interests' share of (loss)/profit for the year	—	—	(1,960)	2,546	—	—
Minority interests' share of exchange reserve	—	—	(33)	—	—	—
Dividends paid to a minority shareholder	—	—	(1,128)	—	—	—
Inception of finance lease (note (b))	—	—	—	—	836	—
Cash outflow from financing	—	—	—	—	(209)	—
Balance at the end of the year	60,828	56,583	108	2,787	627	—

**(b) Major non-cash transactions**

During the year, the Group entered into a finance lease arrangement in respect of an asset with capital value at the inception of the lease of HK\$836,000 (2000: Nil).

## Notes to the Accounts

**23 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS**

	Group	
	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	951	16,709
Trust receipt loans (note 24)	(48,205)	(65,060)
Bank overdrafts — secured (note 24)	(997)	(557)
	<b>(48,251)</b>	<b>(48,908)</b>

**24 BANKING FACILITIES**

At 31st March 2001, the Group's banking facilities of approximately HK\$58 million (2000: approximately HK\$156 million) are secured by the following:

- (i) legal charges over the investment properties and leasehold land and buildings held by the Group in Hong Kong with an aggregate carrying value of HK\$8,000,000;
- (ii) charge on time deposits of HK\$17,500,000 held by the Group;
- (iii) corporate guarantee given by a subsidiary amounting to HK\$27,000,000;
- (iv) corporate guarantee given by the Company amounting to HK\$50,000,000; and
- (v) joint and several guarantees of HUNG Kam Ming and WONG Fai Tung, directors of the Company, and Mr LO Yat Fan, a former director of a subsidiary, amounting to HK\$7,364,000.

**25 CONTINGENT LIABILITIES**

At 31st March 2001, contingent liabilities of the Group and the Company were as follows:

- (i) the Company has provided corporate guarantees of HK\$50,000,000 (2000: HK\$22,000,000) in favour of certain banks to secure banking facilities granted to certain subsidiaries;
- (ii) the Company and a subsidiary have provided corporate guarantees of HK\$20,000,000 and HK\$12,000,000 respectively, in favour of a bank in respect of banking facilities granted to certain subsidiaries which were fully repaid and terminated prior to year end. Such corporate guarantees will only be released in six months from the date of repayment; and
- (iii) a subsidiary has a contingent liability of HK\$753,000 (2000: Nil) in respect of bills of exchange discounted with recourse.

**26 COMMITMENTS UNDER OPERATING LEASES**

At 31st March 2001, the Group had commitment to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

	2001 HK\$'000	2000 HK\$'000
Within one year	184	102
In the second to fifth year inclusive	926	1,249
After five years	365	—
	<b>1,475</b>	<b>1,351</b>

## Notes to the Accounts

**27 RELATED PARTY TRANSACTIONS**

- (a) During the year, the Group entered into the following material transactions with related parties:

	2001 HK\$'000	2000 HK\$'000
Payment of assembling charges to		
Yu Chang Electronics Co., Ltd ("Yu Chang") (note (i))	—	812

- (i) Yu Chang is a minority shareholder of a subsidiary of the Group, namely Beijing Durban Yu Chang Electronics Co., Ltd.
- (b) During the year, the Group entered into the financing transactions with Durban Company Limited ("Durban Co"), a wholly-owned subsidiary of the Company (20% of the share capital of Durban Co previously owned by Mr SEO In Seok, an ex-director of Durban Co, was acquired by the Group during the year).

Durban Co does not have any banking facilities of its own and it utilises the banking facilities available to other companies of the Group ("group companies") to purchase goods for carrying on its trading business and bears all interest charges and costs incurred by these group companies from time to time which are attributable to it. For the year ended 31st March 2001, there was no purchase of goods by Durban Co through the group companies (2000: HK\$12,000,000).

The directors of the Company are of the view that the financing transactions have been carried out in the ordinary course of business and that the maximum value of the cost of goods purchased by Durban Co through the group companies being outstanding and remaining due to suppliers at any one time is estimated to amount to approximately HK\$4,800,000 (2000: HK\$12,000,000).

**28 ULTIMATE HOLDING COMPANY**

The directors regard Po Hang Investment Group Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company. Subsequent to the year end, Active Market Investments Limited, a company incorporated in the British Virgin Islands, has become the ultimate holding company of the Company.

**29 APPROVAL OF ACCOUNTS**

The accounts were approved by the board of directors on 30th July 2001.