



## 1. CORPORATE INFORMATION

During the year, the Group was involved in the design, manufacture and sale of LCD-based electronic products including calculators and Euro converters.

## 2. 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.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of the subsidiaries acquired or disposal of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### **Subsidiaries**

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share/registered 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 permanent diminutions in values, when they are written down to values determined by the directors.

### **Associates**

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any additional provisions for impairments in values deemed necessary by the directors.

### **Goodwill**

Goodwill arising on acquisition of associates represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition.

On disposal of associates, the relevant portion of attributable goodwill previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition

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

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

### Fixed assets and depreciation

Fixed assets are stated at cost 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 the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

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

Leasehold land	Over the lease terms
Buildings	50 years or over the lease terms, whichever is shorter
Leasehold improvements	5 years or over the lease terms, whichever is shorter
Plant and machinery	6 years
Moulds	6 years
Furniture, equipment and motor vehicles	5 years

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.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **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 is 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 are 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 to the profit and loss account on the straight-line basis over the lease terms.

### **Equity joint venture companies established in the People's Republic of China (the "PRC")**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity. The joint venture agreement stipulates the composition of the equity joint venture parties' capital contributions, the duration of the joint venture, and the basis on which assets are to be realised upon its dissolution. The profits and losses from operations and any distribution of surplus assets are shared by the joint venture parties in proportion to their respective capital contributions.

An equity joint venture is treated as a subsidiary if, under the joint venture contract, the Group holds more than 50% of the joint venture company's registered capital and the Group can control the composition of the board of directors and exercise unilateral control over the equity joint venture.

### **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 over the period in which the developed products are expected to be marketable, commencing from the date when the products are put into commercial production.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete and slow-moving items. Cost is determined on a 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 overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Accounts receivable**

Trade receivables, which generally have credit terms not exceeding 120 days, are recognised and carried at original invoiced amount less provisions for doubtful debts which are recorded when collection of a receivable is no longer probable. Bad debts are written off as incurred.

### **Deferred tax**

Deferred tax is provided, using the 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.

### **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 maintained in foreign currencies are translated to 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.

### **Retirement benefit schemes**

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF 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 MPF Scheme.

Prior to the MPF Scheme being effective, the Group operated a defined contributions retirement benefits scheme for those employees who were eligible to participate in the scheme. This scheme operated in a similar way to the MPF Scheme, except that when an employee left the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. With effect from 1 December 2000 this scheme was terminated.

Employees in the PRC are enrolled in the mandatory central pension scheme operated by the PRC government.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **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.

### **Cash equivalents**

For the purpose of the consolidated cash flow statement, 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 repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

## **3. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS**

At 31 March 2000 and 2001, the banking facilities of the Group were supported by the following related parties at nil consideration (note 21):

- (i) legal charges on certain properties owned by four (2000: Three) related parties; and
- (ii) unlimited continuing guarantees executed jointly and severally by Mr. Tong Yiu Lun and Ms. Wu Pik Ying, who are directors of the Company.

At 31 March 2001, finance lease payables of approximately HK\$239,000 (2000: HK\$860,000) were secured by personal guarantees given by Mr. Tong Yiu Lun and/or Ms. Wu Pik Ying, who are directors of the Company (note 24).



#### 4. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts during the year. The Group's revenue is derived predominantly from the manufacture and sale of calculators and Euro converters which is included in the Group's turnover. All significant intra-Group transactions have been eliminated on consolidation.

Pursuant to the disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the turnover by geographical area of principal markets of the Group is analysed as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
The PRC		
Hong Kong	<b>14,499</b>	19,794
Elsewhere	<b>212</b>	3,056
Europe	<b>82,671</b>	140,625
Latin America	<b>103,015</b>	134,252
Middle East	<b>28,381</b>	29,382
North America	<b>29,022</b>	27,258
Others	<b>17,822</b>	12,463
	<b>275,622</b>	366,830



## 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	223,826	260,297
Depreciation:		
Owned fixed assets	24,526	16,739
Leased fixed assets	1,276	1,490
	<u>25,802</u>	<u>18,229</u>
Research and development costs	2,853	3,564
Operating lease rentals in respect of land and buildings	2,419	2,652
Auditors' remuneration:		
Current year provision	1,800	1,200
Underprovision in the prior year	200	–
	<u>2,000</u>	<u>1,200</u>
Staff costs (excluding directors' remuneration – note 7):		
Salaries and wages	18,284	28,618
Pension scheme contributions	7	101
Mandatory Provident Fund contributions	8	–
	<u>18,299</u>	<u>28,719</u>
Exchange gains, net	(311)	(82)
Loss/(gain) on disposal of fixed assets	(34)	112
Interest income	(1,010)	(599)
	<u><u>(1,010)</u></u>	<u><u>(599)</u></u>



## 6. FINANCE COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	8,367	3,859
Interest on mortgage loans wholly repayable after five years	920	908
Interest on finance leases	566	702
	<u>9,853</u>	<u>5,469</u>

## 7. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

The 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	
	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	–	–
Other emoluments of executive directors:		
Basic salaries, allowances and benefits in kind	2,490	2,099
Pension scheme contributions	–	–
Mandatory Provident Fund contributions	–	–
	<u>2,490</u>	<u>2,099</u>

The remuneration of each director fell within the nil – HK\$1,000,000 band. The directors' remuneration shown above does not include the estimated monetary value of certain premises owned by the Group provided rent-free to a director of the Company. The estimated rental value of such accommodation was approximately HK\$360,000 for the year ended 31 March 2001 (2000: HK\$360,000).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.



**7. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES** (continued)

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Basic salaries, allowances and benefits in kind	<u>1,570</u>	<u>1,699</u>

During the year, no emoluments were paid by the Group to the directors, or the non-director, highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

**8. TAX**

	2001 HK\$'000	2000 HK\$'000
Group:		
Current year provision:		
Hong Kong	735	4,482
Elsewhere	807	2,420
Overprovision in the prior year	(6)	–
Deferred – note 25	<u>804</u>	<u>38</u>
	<b>2,340</b>	6,940
Share of tax attributable to associates	<u>24</u>	–
Tax charge for the year	<u><b>2,364</b></u>	<u>6,940</u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on the profits of subsidiaries operating elsewhere have been calculated at the rates of tax applicable in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. Tax recoverable represents provisional tax paid in excess of the estimated tax liability of the Group.

**8. TAX (continued)**

東莞易達興業電子有限公司 (“Dongguan Cedar”), a subsidiary established in the PRC, was exempted from PRC income tax for two years starting from its first profit-making year of operations in 1996, and thereafter was eligible for a 50% relief from income tax for the following three years under the Income Tax Law of the PRC. The standard PRC income tax rate applicable to Dongguan Cedar is 24%. As a result of the 50% tax relief, the PRC income tax rate for Dongguan Cedar for the three years ended 31 December 2000 was 12%.

**9. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS**

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 March 2001 was HK\$542,000 (Period from 26 July 1999 (date of incorporation) to 31 March 2000: Net profit of HK\$18,349,000).

**10. DIVIDEND**

Proposed final – Nil (2000: HK3.2 cents per share)

<b>2001</b>	2000
<b>HK\$'000</b>	HK\$'000
–	18,504

**11. 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\$7,585,000 (2000: HK\$56,939,000) and the weighted average of 494,252,740 (2000: 347,267,760) shares in issue during the year. The weighted average number of shares used to calculate the prior year's earnings per share included the then pro forma issued share capital of the Company, comprising 1,000,000 shares issued on incorporation of the Company, 1,000,000 shares issued as part of the acquisition of the entire issued share capital of Cedar Base (BVI) Limited and the capitalisation issue of 298,000,000 shares.

Diluted earnings per share for the years ended 31 March 2000 and 2001 have not been shown because no diluting events existed during these years.

**12. FIXED ASSETS****Group**

	Medium term leasehold land and buildings in Hong Kong HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Moulds HK\$'000	Furniture, equipment and motor vehicles HK\$'000	Total HK\$'000
Cost:						
At beginning of year	17,354	3,987	59,337	67,527	11,135	159,340
Additions	–	20	9,653	9,959	1,769	21,401
Disposals	–	–	(28)	–	(723)	(751)
<b>At 31 March 2001</b>	<b>17,354</b>	<b>4,007</b>	<b>68,962</b>	<b>77,486</b>	<b>12,181</b>	<b>179,990</b>
Accumulated depreciation:						
At beginning of year	1,368	3,128	24,058	23,978	7,618	60,150
Provided during the year	347	641	10,851	11,582	2,381	25,802
Disposals	–	–	(22)	–	(543)	(565)
<b>At 31 March 2001</b>	<b>1,715</b>	<b>3,769</b>	<b>34,887</b>	<b>35,560</b>	<b>9,456</b>	<b>85,387</b>
Net book value:						
<b>At 31 March 2001</b>	<b>15,639</b>	<b>238</b>	<b>34,075</b>	<b>41,926</b>	<b>2,725</b>	<b>94,603</b>
At 31 March 2000	15,986	859	35,279	43,549	3,517	99,190

The net book value of the fixed assets of the Group held under finance leases included in the total amount of the fixed assets at 31 March 2001 amounted to approximately HK\$6,023,000 (2000: HK\$6,870,000).

At 31 March 2001, all of the Group's medium term leasehold land and buildings in Hong Kong were pledged to secure banking facilities granted to the Group (note 21).

**13. INTERESTS IN SUBSIDIARIES**

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	95,229	95,229
Due from subsidiaries	142,180	63,495
Due to subsidiaries	(11,727)	–
	225,682	158,724
	225,682	158,724

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Company	Place of incorporation/ registration	Nominal value of issued and fully paid-up share/registered capital	Attributable equity interest	Principal activities
<i>Held directly:</i>				
Cedar Base (BVI) Limited	British Virgin Islands	Ordinary US\$200	100%	Investment holding
<i>Held indirectly:</i>				
Cedar Base Electronic Limited	Hong Kong	Ordinary HK\$2 Non-voting deferred (Note (a)) HK\$500,000	100%	Manufacture and trading of electronic calculators and Euro converters
Cedar Electronic (China) Limited	Hong Kong	Ordinary HK\$10,000	100%	Dormant
Cedar Plastic Manufacturing Limited	Hong Kong	Ordinary HK\$10,000	100%	Leasing of machinery

**13. INTERESTS IN SUBSIDIARIES** (continued)

<b>Company</b>	<b>Place of incorporation/ registration</b>	<b>Nominal value of issued and fully paid-up share/registered capital</b>	<b>Attributable equity interest</b>	<b>Principal activities</b>
<i>Held indirectly: (continued)</i>				
Cedar Promotions Company Limited	Hong Kong	Ordinary HK\$10,000	100%	Dormant
Cedar Telecom Technology (H.K.) Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding
Marine Union Limited	Hong Kong	Ordinary HK\$2 Non-voting deferred (Note (a)) HK\$10,000	100%	Property holding
Century Hope Limited	Hong Kong	Ordinary HK\$2 Non-voting deferred (Note (a)) HK\$2	100%	Property holding
Modaberi Limited	British Virgin Islands	Ordinary US\$1	100%	Trading and manufacture of electronic calculators and Euro converters in the PRC

**13. INTERESTS IN SUBSIDIARIES** (continued)

<b>Company</b>	<b>Place of incorporation/ registration</b>	<b>Nominal value of issued and fully paid-up share/registered capital</b>	<b>Attributable equity interest</b>	<b>Principal activities</b>
<i>Held indirectly: (continued)</i>				
Rogate Profits Limited	British Virgin Islands	Ordinary US\$1	100%	Trading and manufacture of electronic calculators and Euro converters in the PRC
Inchamfield Limited	British Virgin Islands	Ordinary US\$1	100%	Manufacture of electronic calculators and Euro converters in the PRC
Witchelow Limited	British Virgin Islands	Ordinary US\$1	100%	Provision of marketing, product design and quality control services in the PRC
Active Jazz Limited	British Virgin Islands	Ordinary US\$1	100%	Provision of quality control services in the PRC
Icecastle Limited	British Virgin Islands	Ordinary US\$1	100%	Provision of marketing and product design services in the PRC

**13. INTERESTS IN SUBSIDIARIES** (continued)

Company	Place of incorporation/ registration	Nominal value of issued and fully paid-up share/registered capital	Attributable equity interest	Principal activities
<i>Held indirectly: (continued)</i>				
Limbrick Investment Limited #	British Virgin Islands	Ordinary US\$1	100%	Investment holding
東莞易達興業 電子有限公司 (Note (b))	PRC	HK\$64,566,780	94%	Manufacture of electronic calculators and Euro converters
東莞黃河電子 有限公司 (Note (c))	PRC	HK\$9,475,180	100%	Dormant

# Incorporated during the year

Notes:

- (a) The non-voting deferred shares carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up (other than the nominal amount paid up or credited as paid up on such shares, after the sum of HK\$1,000,000,000 per ordinary share has been distributed to the holders of the ordinary shares of the company in such a winding-up).
- (b) 東莞易達興業電子有限公司 (“Dongguan Cedar”) was established by Cedar Electronic Industrial Co. (“Cedar Industrial”), a related company of the Group, and a PRC partner as an equity joint venture company for a period of 12 years commencing on 10 December 1993. Pursuant to an agreement entered into between Cedar Industrial and the Group on 16 October 1994, the assets of Cedar Industrial were transferred to the Group. Accordingly, Dongguan Cedar became a subsidiary of the Group. The registered capital of Dongguan Cedar was HK\$105 million as at 31 March 2001.

**13. INTERESTS IN SUBSIDIARIES** (continued)

- (c) 東莞黃河電子有限公司 (“Dongguan Yellow River”) is a wholly-foreign-owned enterprise acquired by the Group in the PRC in November 1996. The registered capital of Dongguan Yellow River was HK\$22 million as at 31 March 2001. An application by the Group for early termination of the operations of Dongguan Yellow River was approved by the relevant PRC authority on 28 May 1999. The business registration of Dongguan Yellow River will therefore be cancelled once the winding-up process of the company is completed. It is intended that all of the assets and liabilities of Dongguan Yellow River will be transferred to Dongguan Cedar upon the winding-up of Dongguan Yellow River.

All of the subsidiaries operate principally in their places of incorporation/registration unless specified otherwise under “Principal activities”.

**14. INTERESTS IN ASSOCIATES**

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets other than goodwill	<u>33,293</u>	<u>–</u>

Particulars of the associates acquired during the year are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
<i>Held indirectly:</i>				
Electronics Tomorrow Manufactory Inc.	Corporate	British Virgin Islands	45%	Investment holding
E-Top PCB Limited	Corporate	Hong Kong	45%	Trading and sale of printed circuit boards
Plentiful Light Limited	Corporate	British Virgin Islands/PRC	45%	Manufacture of printed circuit boards
Dongguan Yifu Circuit Board Factory	Corporate	PRC	37.8%	Manufacture of printed circuit boards



**14. INTERESTS IN ASSOCIATES** (continued)

During the year, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Electronics Tomorrow International Limited ("ETIL"), a wholly-owned subsidiary of Tomorrow International Holdings Limited, a company listed on the Stock Exchange, for the purchase of a 45% equity interest in Electronics Tomorrow Manufactory Inc. ("ETMI") for an aggregate consideration of HK\$67,500,000. The consideration was satisfied by the allotment and issue to ETIL of 178,250,000 new ordinary shares of the Company (the "Consideration Shares"). The Consideration Shares rank pari passu in all respect with the existing shares. Pursuant to the sale and purchase agreement, ETIL agreed to pay to the Company an amount equal to the actual amount of the dividend paid on the Consideration Shares in respect of the final dividend for the year ended 31 March 2000. As a result thereof, HK\$5,704,000 arising therefrom was received by the Group in the current year and such amount has been deducted against the cost of investment in associates at the balance sheet date.

The financial statements of the above associates have a financial year ending 31 December. The consolidated financial statements have been adjusted for material transactions between the associates and Group companies between 1 January and 31 March.

**15. DEPOSITS PAID FOR OTHER INVESTMENTS**

The balances represent deposits paid for the acquisition of 100% equity interests in the following companies registered and operating in the PRC. Details of these investments are as follows:

<b>Company</b>	<b>Place of registration and operations</b>	<b>Paid-up capital</b>	<b>Principal activities</b>
東莞望牛墩興強 線路板廠	PRC	RMB2,101,000	Trading and manufacture of printed circuit boards
東莞市奇美寶文具 用品有限公司	PRC	RMB500,000	Trading and manufacture of wooden products

Further details of these investments are set out in note 29(a) to the financial statements.



## 16. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	76,644	31,406
Work in progress	5,743	916
Finished goods	10,246	21,441
	<u>92,633</u>	<u>53,763</u>

None of the above inventories were carried at net realisable value (2000: Nil).

## 17. ACCOUNTS RECEIVABLE

The aged analysis of accounts receivable as at 31 March 2001 was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current to 90 days	29,777	57,412
91 to 180 days	27,069	7,917
181 to 365 days	2,512	527
	<u>59,358</u>	<u>65,856</u>

## 18. DUE FROM A MINORITY SHAREHOLDER

The amount due from a minority shareholder of Dongguan Cedar, Guangdong Yellow River Holdings Corporation Limited, in the prior year was settled in the current year. The balance was unsecured, interest-free and had no fixed terms of repayment.

**19. CASH AND CASH EQUIVALENTS**

	Group	
	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	2,290	57,204
Time deposits	5,620	3,530
	<u>7,910</u>	<u>60,734</u>

**20. ACCOUNTS AND BILLS PAYABLE**

The aged analysis of accounts and bills payable as at 31 March 2001 was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current to 90 days	15,745	26,657
91 to 180 days	7,893	3,025
181 to 365 days	2,531	848
	<u>26,169</u>	<u>30,530</u>

**21. BANKING FACILITIES**

At 31 March 2001, the Group's banking facilities were secured by the following:

- (i) the pledge of the Group's time deposits of approximately HK\$9.1 million (2000: HK\$11.0 million);
- (ii) the legal charges on the Group's leasehold land and buildings situated in Hong Kong with an aggregate net book value of approximately HK\$15.6 million (2000: HK\$16.0 million);
- (iii) legal charges on certain properties owned by four (2000: Three) related parties; and
- (iv) unlimited continuing guarantees executed jointly and severally by Mr. Tong Yiu Lun and Ms. Wu Pik Ying, who are directors of the Company.

**22. BANK LOANS, SECURED**

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank loans repayable:		
Within one year	7,779	–
In the third to fifth years, inclusive	1,852	–
	<hr/>	<hr/>
	9,631	–
Portion classified as current liabilities	(7,779)	–
	<hr/>	<hr/>
Long term portion	1,852	–
	<hr/> <hr/>	<hr/> <hr/>

Details of the security provided by the Group in respect of the bank loans are set out in note 21 above.

**23. MORTGAGE LOANS, SECURED**

	Group	
	2001 HK\$'000	2000 HK\$'000
Mortgage loans repayable:		
Within one year	802	681
In the second year	848	732
In the third to fifth years, inclusive	3,026	2,712
Beyond five years	4,136	5,350
	<hr/>	<hr/>
	8,812	9,475
Portion classified as current liabilities	(802)	(681)
	<hr/>	<hr/>
Long term portion	8,010	8,794
	<hr/> <hr/>	<hr/> <hr/>

Details of the security provided by the Group in respect of the mortgage loans are set out in note 21 above.

**24. FINANCE LEASE PAYABLES**

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Amounts payable:		
Within one year	2,192	2,840
In the second year	642	1,216
In the third to fifth years, inclusive	–	29
	<hr/>	<hr/>
Total minimum finance lease payments	2,834	4,085
Future finance charges	(333)	(572)
	<hr/>	<hr/>
Total net finance lease payables	2,501	3,513
Portion classified as current liabilities	(1,959)	(2,409)
	<hr/>	<hr/>
Long term portion	542	1,104
	<hr/> <hr/>	<hr/> <hr/>

At 31 March 2001, finance lease payables of approximately HK\$239,000 (2000: HK\$860,000) were secured by personal guarantees given by Mr. Tong Yiu Lun and/or Ms. Wu Pik Ying, who are directors of the Company.

**25. DEFERRED TAX**

	Group	
	2001 HK\$'000	2000 HK\$'000
At beginning of year	1,716	1,678
Charge for the year – note 8	804	38
	<hr/>	<hr/>
At end of year	2,520	1,716
	<hr/> <hr/>	<hr/> <hr/>

**25. DEFERRED TAX** (continued)

The principal components of the Group's deferred tax liability/(asset) position and the amounts not provided for in the financial statements are as follows:

	Provided		Not provided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Accelerated depreciation allowances	<b>3,189</b>	1,716	<b>(112)</b>	–
Tax losses carried forward	<b>(669)</b>	–	<b>(512)</b>	–
	<u><b>2,520</b></u>	<u>1,716</u>	<u><b>(624)</b></u>	<u>–</u>

At 31 March 2001, the Company had no significant potential deferred tax liabilities for which provision has not been made.

**26. SHARE CAPITAL****Shares**

	2001 HK\$'000	2000 HK\$'000
Authorised: 2,000,000,000 (2000: 2,000,000,000) ordinary shares of HK\$0.10 (2000: HK\$0.10) each	<u><b>200,000</b></u>	<u>200,000</u>
Issued and fully paid: 578,250,000 (2000: 400,000,000) ordinary shares of HK\$0.10 (2000: HK\$0.10) each	<u><b>57,825</b></u>	<u>40,000</u>

**26. SHARE CAPITAL** (continued)**Shares** (continued)

Details of the movements in the issued share capital of the Company are as follows:

	Note	Carrying amount 2001 HK\$'000	No. of shares 2001 '000	Carrying amount 2000 HK\$'000	No. of shares 2000 '000
At beginning of year/period		40,000	400,000	200	300,000
Issue of shares for acquisition of interests in associates	(a)	17,825	178,250	–	–
Issue of shares to public		–	–	10,000	100,000
Capitalisation of share premium account as a result of public share issue		–	–	29,800	–
At end of year/period		<u>57,825</u>	<u>578,250</u>	<u>40,000</u>	<u>400,000</u>

Note:

- (a) Pursuant to the sale and purchase agreement with ETIL, the Company issued 178,250,000 new ordinary shares of HK\$0.10 each at a price of approximately HK\$0.3787 per share to ETIL as consideration for the Group's acquisition of a 45% equity interest in ETMI. Further details of the acquisition are set out in note 14 to the financial statements.

Subsequent to the balance sheet date, on 22 May 2001, Great Wonder Investments Limited ("Great Wonder"), the Company's then ultimate holding company, entered into a placing agreement with an independent placing agent for the placement of 114,000,000 ordinary shares of the Company owned by Great Wonder at a price of HK\$0.27 per share. Pursuant to a top-up subscription agreement of the same date, Great Wonder subscribed for 114,000,000 new ordinary shares of the Company at a price of HK\$0.2697 per share.

Pursuant to a further placing agreement dated 12 July 2001, Great Wonder, through an independent placing agent, placed 112,295,000 ordinary shares of the Company owned by Great Wonder at a price of HK\$0.20 per share. Pursuant to a further top-up subscription agreement of the same date, Great Wonder subscribed for 152,295,000 new ordinary shares of the Company at a price of HK\$0.20 per share.

The net proceeds of approximately HK\$60 million arising from the above new issues were used for the reduction of the Group's bank debts and as general working capital of the Group.

**26. SHARE CAPITAL** (continued)**Share options**

Under the terms of the share option scheme (the "Scheme") adopted by the Company in 1999, the directors of the Company are authorised, at their absolute discretion, to invite any full-time employee of the Company or any of its subsidiaries, including any executive director of the Company or any such subsidiary, to take up options to subscribe for shares in the Company. The subscription price will be determined by the directors, but may not be less than the higher of 80% of the average of the closing price of the shares quoted on the Stock Exchange for the five trading days immediately preceding the date of the offer of the grant of the option or the nominal value of the shares. A nominal 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 may not exceed, in nominal amount, 10% of the issued share capital of the Company from time to time which has been duly allotted and issued. The Scheme became effective for a period of ten years commencing upon the listing of the Company's shares on the Stock Exchange. Further details of the Scheme are included in the Company's prospectus dated 28 September 1999.

Up to the balance sheet date, no share options had been granted under the Scheme. Options granted under the above Scheme subsequent to the balance sheet date are disclosed in note 31(b) to the financial statements.





**27. RESERVES**

**Group**

	Share premium account HK\$'000	Statutory reserve HK\$'000 (Note (b))	Enterprise development fund HK\$'000 (Note (b))	Exchange fluctuation reserve HK\$'000	Goodwill reserve HK\$'000	Capital reserve HK\$'000 (Note (a))	Retained profits HK\$'000	Total HK\$'000
At 1 April 1999	–	520	520	(99)	–	340	64,822	66,103
Issue of shares	70,000	–	–	–	–	–	–	70,000
Capitalisation issue of shares	(29,800)	–	–	–	–	–	–	(29,800)
Share issue expenses	(16,350)	–	–	–	–	–	–	(16,350)
Retained profit for the year	–	–	–	–	–	–	38,435	38,435
Appropriation to reserves	–	79	80	–	–	–	(159)	–
<b>At 31 March 2000 and 1 April 2000</b>	<b>23,850</b>	<b>599</b>	<b>600</b>	<b>(99)</b>	<b>–</b>	<b>340</b>	<b>103,098</b>	<b>128,388</b>
Issue of shares for acquisition of interests in associates (note 26)	49,675	–	–	–	–	–	–	49,675
Arising from acquisition of interests in associates	–	–	–	–	(28,550)	–	–	(28,550)
Retained profit for the year	–	–	–	–	–	–	7,585	7,585
<b>At 31 March 2001</b>	<b>73,525</b>	<b>599</b>	<b>600</b>	<b>(99)</b>	<b>(28,550)</b>	<b>340</b>	<b>110,683</b>	<b>157,098</b>
Reserves retained by:								
Company and subsidiaries	73,525	599	600	(99)	(28,550)	340	111,481	157,896
Associates	–	–	–	–	–	–	(798)	(798)
<b>At 31 March 2001</b>	<b>73,525</b>	<b>599</b>	<b>600</b>	<b>(99)</b>	<b>(28,550)</b>	<b>340</b>	<b>110,683</b>	<b>157,098</b>
Company and subsidiaries At 31 March 2000	23,850	599	600	(99)	–	340	103,098	128,388

**27. RESERVES** (continued)**Company**

	<b>Share premium account</b>	<b>Capital reserve</b>	<b>Retained profits/ (accumulated losses)</b>	<b>Total</b>
	HK\$'000	HK\$'000 (Note (a))	HK\$'000	HK\$'000
Arising on acquisition of				
Cedar Base (BVI) Limited	–	95,029	–	95,029
Issue of shares	70,000	–	–	70,000
Capitalisation issue of shares	(29,800)	–	–	(29,800)
Share issue expenses	(16,350)	–	–	(16,350)
Net profit for the period	–	–	18,349	18,349
Dividend	–	–	(18,504)	(18,504)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2000 and 1 April 2000	23,850	95,029	(155)	118,724
Issue of shares for acquisition				
of interests in associates (note 26)	49,675	–	–	49,675
Net loss for the year	–	–	(542)	(542)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 31 March 2001</b>	<b><u>73,525</u></b>	<b><u>95,029</u></b>	<b><u>(697)</u></b>	<b><u>167,857</u></b>

Notes:

- (a) The capital reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation in October 1999 over the nominal value of the share capital of the Company issued in exchange therefor.

The capital reserve of the Company represents the difference between the then combined net assets value of the subsidiaries acquired pursuant to the same reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

- (b) In accordance with the relevant PRC regulations and/or the companies' memorandum and articles of association, Dongguan Cedar and Dongguan Yellow River, subsidiaries of the Company established in the PRC, are required to transfer a certain percentage of their respective profit after tax, if any, to the statutory reserve (until such reserve reaches 50% of the registered capital of the respective companies) and the enterprise development fund. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against the respective accumulated losses, if any, of the companies or for the issuance of bonus shares. The enterprise development fund can be used for the future development of the subsidiaries or for the issuance of bonus shares. Both the statutory reserve and the enterprise development fund are not available for distribution.

**27. RESERVES** (continued)

- (c) The Company had distributable reserves of HK\$167,857,000 at 31 March 2001 (2000: HK\$118,724,000). Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

**28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT****(a) Reconciliation of profit from operating activities to net cash inflow from operating activities**

	Group	
	2001 HK\$'000	2000 HK\$'000
Profit from operating activities	20,396	69,407
Interest income	(1,010)	(599)
Depreciation	25,802	18,229
Loss/(gain) on disposal of fixed assets	(34)	112
Increase in inventories	(38,870)	(2,951)
Decrease/(increase) in accounts receivable	6,498	(50,774)
Decrease/(increase) in prepayments, deposits and other receivables	5,637	(11,748)
Decrease in amount due from a minority shareholder	3,300	-
Increase in trust receipt loans with original maturity of more than three months from date of advance	52,960	-
Decrease in accounts and bills payable	(4,361)	(3,337)
Increase/(decrease) in accrued liabilities and other payables	787	(92)
	<hr/>	<hr/>
Net cash inflow from operating activities	<b>71,105</b>	18,247
	<hr/> <hr/>	<hr/> <hr/>

**28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** (continued)**(b) Analysis of changes in the Group's financing during the year**

	<b>Share capital and share premium</b> HK\$'000	<b>Bank loans and mortgage loans</b> HK\$'000	<b>Finance lease payables</b> HK\$'000	<b>Minority interests</b> HK\$'000
At 1 April 1999	200	11,639	4,450	3,538
Cash inflow/(outflow) from financing activities, net	63,650	(2,164)	(3,073)	–
Inception of finance lease contracts	–	–	2,136	–
Share of profit for the year	–	–	–	59
	<u>63,850</u>	<u>9,475</u>	<u>3,513</u>	<u>3,597</u>
At 31 March 2000 and 1 April 2000	63,850	9,475	3,513	3,597
Cash inflow/(outflow) from financing activities, net	–	8,968	(3,712)	–
Issue of shares for acquisition of interests in associates	67,500	–	–	–
Inception of finance lease contracts	–	–	2,700	–
Share of loss for the year	–	–	–	(180)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(180)</u>
<b>At 31 March 2001</b>	<b><u>131,350</u></b>	<b><u>18,443</u></b>	<b><u>2,501</u></b>	<b><u>3,417</u></b>

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

- (i) 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 leases of approximately HK\$2,700,000 (2000: HK\$3,327,000).
- (ii) During the year, the Group acquired a 45% equity interest in ETMI for a consideration of HK\$67,500,000. The consideration for the acquisition was satisfied by the issue of 178,250,000 ordinary shares of the Company of HK\$0.10 each at a price of approximately HK\$0.3787 per share.
- (iii) The reorganisation of the Group in preparation for the public listing of the Company's shares in the prior year involved the acquisition of Cedar Base (BVI) Limited by the issue of 1,000,000 shares of HK\$0.10 each of the Company.

**29. COMMITMENTS****(a) Capital commitments**

- (i) At the balance sheet date, the Group was committed to make capital injections to equity joint ventures operating in the PRC of approximately HK\$52.9 million (2000: HK\$67.6 million).
- (ii) During the year, a subsidiary of the Company entered into a sale and purchase agreement (the "S&P Agreement") with an independent third party for the acquisition of a 100% equity interest in 東莞望牛墩興強線路板廠 for a total cash consideration of RMB38.5 million, of which RMB34.5 million was settled upon the signing of the S&P Agreement. The remaining balance of RMB4 million was settled upon the completion of the S&P Agreement in April 2001. Further particulars of this investment are set out in note 15 to the financial statements.
- (iii) During the year, a subsidiary of the Company entered into a sale and purchase agreement (the "Agreement") with another independent third party for the acquisition of a 100% equity interest in 東莞市奇美寶文具用品有限公司 at a consideration ranging from RMB34 million to RMB 36 million, which is to be further agreed upon according to such factors as the final price earning ratio. Pursuant to the Agreement, an initial deposit of RMB18.5 million was paid in cash upon the signing of the Agreement. The remaining consideration is payable upon the completion of the acquisition in October 2001 by the issuance of new shares of the Company at a price to be determined based on the then prevailing market prices. Further particulars of this investment are set out in note 15 to the financial statements.
- (iv) At the balance sheet date, the Group had a contracted commitment in respect of the purchase of a fixed asset of nil (2000: HK\$600,000).

**(b) Operating lease commitments**

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Payments under non-cancellable operating leases committed to be made during the following year by the Group in respect of land and buildings expiring:		
Within one year	<b>814</b>	273
In the second to fifth years, inclusive	–	1,659
	<hr/> <b>814</b> <hr/>	<hr/> 1,932 <hr/>

The Company had no significant commitments at the balance sheet date (2000: Nil).

**30. CONTINGENT LIABILITIES**

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bills discounted with recourse	8,019	7,482	–	–
Guarantees given to banks in connection with facilities granted to certain subsidiaries	–	–	52,766	48,452
	<u>8,019</u>	<u>7,482</u>	<u>52,766</u>	<u>48,452</u>

**31. POST BALANCE SHEET EVENTS**

- (a) Pursuant to a placing agreement and a top-up subscription agreement both dated 22 May 2001, a total number of 114,000,000 new ordinary shares of HK\$0.10 each of the Company were issued.

Pursuant to a further placing agreement and a further top-up subscription agreement both dated 12 July 2001, a total number of 152,295,000 new ordinary shares of HK\$0.10 each of the Company were issued.

Further details of these placements are set out in note 26 to the financial statements.

- (b) Subsequent to the balance sheet date, on 6 June 2001, the Company granted a total of 69,225,000 share options of the Company for a nominal consideration of HK\$1 per grantee under the Company's share option scheme as disclosed in note 26 to the financial statements. Each share option entitled the holders thereof to subscribe for shares of the Company at any time during a period of 10 years with effect from the date of acceptance of the grant of the share options. The subscription price per share payable upon the exercise of each option was HK\$0.222. All of the above share options have been exercised as at the date of this report.
- (c) Subsequent to the balance sheet date, on 10 April 2001, the Group completed the acquisition of 東莞望牛墩興強線路板廠 and the remaining consideration of RMB4 million was settled upon completion. Please refer to note 29(a) to the financial statements for further details.



**32. COMPARATIVE AMOUNTS**

The research and development costs of HK\$3,564,000 included in the administrative expenses in the prior year has been reclassified to the other operating expenses to conform with the current year's presentation.

**33. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on 14 August 2001.