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) and electronic components.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following recently-issued and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised) : Events after the balance sheet date
- SSAP 14 (Revised) : Leases
- SSAP 18 (Revised) : Revenue
- SSAP 26 : Segment reporting
- SSAP 28 : Provisions, contingent liabilities and contingent assets
- SSAP 29 : Intangible assets
- SSAP 30 : Business combinations
- SSAP 31 : Impairment of assets
- SSAP 32 : Consolidated financial statements and accounting for investments in subsidiaries
- Interpretation 12 : Business combinations – subsequent adjustment of fair values and goodwill initially reported
- Interpretation 13 : Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves

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

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheet. SSAP 9 (Revised) has had no major impact on these financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases. For further details, please refer to notes 25 and 31 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. SSAP 18 (Revised) has had no major impact on these financial statements.

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

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. SSAP 28 has had no major impact on these financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. SSAP 29 has had no major impact on these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in note 16 to the financial statements. The required new additional disclosures are included in notes 14, 16 and 28 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements. SSAP 32 has had no major impact on these financial statements.

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAP are effective for the first time for the current year's financial statements:

- SSAP 10 : Accounting for investments in associates

The revisions to SSAP 10 have had no significant impact on the preparation of these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, 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 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Group does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Group holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, 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 impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 5 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 April 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. 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	4 to 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.

3. 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 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 payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

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 estimated selling prices less any estimated costs to be incurred to completion and disposal.

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 and bank balances represent assets which are not restricted as to use.

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.

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;

(b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(c) from the rendering of services, when the services are performed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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 stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Retirement benefits scheme

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

The employees of the Group's subsidiary which operates in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. This PRC subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and associates 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.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

(a) the LCD-based electronic products segment engages in the manufacture and sale of LCD-based electronic products including calculators and Euro converters; and

(b) the electronic components segment engages in the manufacture and sale of electronic components.

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

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

4. SEGMENT INFORMATION (continued)

(a) Business segments

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

Group

	LCD-based electronic products		Electronic components		Eliminations		Consolidated	
	2002 HK$'000	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000
Segment revenue:								
Sales to external customers	**246,785**	275,622	**9,761**	–	**–**	–	**256,546**	275,622
Intersegment sales	**–**	–	**6,866**	–	**(6,866)**	–	**–**	–
Other revenue	**1,760**	2,898	**8**	–	**–**	–	**1,768**	2,898
Total	**248,545**	278,520	**16,635**	–	**(6,866)**	–	**258,314**	278,520
Segment results	**(42,154)**	20,201	**4,127**	–	**–**	–	**(38,027)**	20,201
Interest income							**560**	1,010
Unallocated expenses							**(2,806)**	(815)
Profit/(loss) from operating activities							**(40,273)**	20,396
Finance costs							**(6,884)**	(9,853)
Share of losses of associates							**(5,733)**	(774)
Impairment of goodwill							**(12,469)**	–
							(18,202)	(774)
Profit/(loss) before tax							**(65,359)**	9,769
Tax							**934**	(2,364)
Profit/(loss) before minority interests							**(64,425)**	7,405
Minority interests							**1,030**	180
Net profit/(loss) from ordinary activities attributable to shareholders							**(63,395)**	7,585

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	LCD-based electronic products		Electronic components		Eliminations		Consolidated	
	2002 HK$'000	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000
Segment assets	**282,093**	255,415	**39,775**	31,944	**(7,282)**	–	**314,586**	287,359
Interests in associates	**–**	–	**27,560**	33,293	**–**	–	**27,560**	33,293
Unallocated assets							**18,192**	34,258
Total assets							**360,338**	354,910
Segment liabilities	**76,071**	124,638	**1,485**	–	**(7,282)**	–	**70,274**	124,638
Unallocated liabilities							**10,574**	11,932
Total liabilities							**80,848**	136,570
Other segment information:								
Depreciation and amortisation	**30,669**	25,802	**7,039**	–	**–**	–	**37,708**	25,802
Capital expenditure	**44,515**	21,401	**283**	–	**–**	–	**44,798**	21,401
Impairment of goodwill recognised in the profit and loss account	**–**	–	**12,469**	–	**–**	–	**12,469**	–
Provision for doubtful debts	**5,135**	–	**–**	–	**–**	–	**5,135**	–

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

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

Group

	Asia		Europe		North and South America		Others		Consolidated	
	2002 HK$'000	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000
Segment revenue:										
Sales to external customers	**26,512**	43,092	**112,682**	82,671	**107,991**	132,037	**9,361**	17,822	**256,546**	275,622
Segment results *	**(3,409)**	3,128	**(14,527)**	6,077	**(18,867)**	9,577	**(1,224)**	1,419	**(38,027)**	20,201
Other segment information:										
Segment assets	**311,141**	299,617	**3,171**	4,045	**46,026**	51,248	**–**	–	**360,338**	354,910
Capital expenditure	**44,798**	21,401	**–**	–	**–**	–	**–**	–	**44,798**	21,401

* disclosed pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

5. TURNOVER, OTHER REVENUE AND GAINS

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

An analysis of the Group's turnover, other revenue and gains is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Turnover		
Sale of goods	**256,546**	275,622
Other revenue		
Interest income	**560**	1,010
Sale of scrap materials	**1,245**	1,099
Subcontracting fee income	**235**	1,058
Others	**288**	741
	2,328	3,908
Gains		
Exchange gains, net	**–**	311
Gain on disposal of fixed assets	**781**	34
	781	345
	3,109	4,253

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2002 HK$'000	2001 HK$'000
Cost of inventories sold	**249,330**	223,826
Depreciation	**35,800**	25,802
Provision for inventories	**3,805**	–
Minimum lease payments under operating leases in respect of land and buildings	**2,263**	2,419
Auditors' remuneration:		
Current year provision	**990**	1,800
Underprovision in the prior year	**–**	200
	990	2,000
Staff costs (excluding directors' remuneration - note 8):		
Salaries and wages	**20,078**	18,284
Pension scheme contributions	**167**	15
	20,245	18,299
Research and development costs	**3,956**	2,853
Amortisation of goodwill *	**1,908**	–
Provision for doubtful debts	**5,135**	–
Exchange losses, net	**1,298**	–

The cost of inventories sold include HK$47,214,000 (2001: HK$34,344,000) relating to staff costs, depreciation, minimum lease payments under operating leases in respect of land and buildings and provision for inventories, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

* The amortisation of goodwill for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

7. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**5,729**	8,367
Interest on mortgage loans wholly repayable after five years	**594**	920
Interest on finance leases	**561**	566
	6,884	9,853

8. DIRECTORS' REMUNERATION

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	
	2002	2001
	HK$'000	HK$'000
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**228**	–
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**1,715**	2,490
Pension scheme contributions	**36**	–
	1,979	2,490

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$240,000 (2001: HK$360,000) for the year ended 31 March 2002.

During the year, there were no bonuses paid or payable to the directors (2001: Nil). No directors waived or agreed to waive any remuneration during the year (2001: 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 (2001: Nil).

9. SIX HIGHEST PAID EMPLOYEES

The six highest paid employees during the year included four (2001: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2001: three) non-director, highest paid employees which fell within the nil – HK$1,000,000 band are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**740**	1,570
Pension scheme contributions	**18**	–
	758	1,570

During the year, 300,000 share options were granted to the two non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures set out under the heading "Share option scheme" in the Report of the Directors on pages 14 and 16. No value in respect of the share options granted during the year has been charged to the profit and loss account.

During the year, there were no bonuses paid or payable to any of the six highest paid employees of the Group (2001: Nil). No emoluments were paid by the Group to any of the six highest paid employees as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2001: Nil).

10. TAX

	2002	2001
	HK$'000	HK$'000
Group:		
Current year provision:		
Hong Kong	**–**	735
Elsewhere	**–**	807
Overprovision in the prior years	**(934)**	(6)
Deferred – note 26	**–**	804
	(934)	2,340
Share of tax attributable to associates	**–**	24
Tax charge/(credit) for the year	**(934)**	2,364

10. TAX (continued)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. Hong Kong profits tax had been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong in the prior year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. Tax recoverable in the prior year represented provisional tax paid in excess of the estimated tax liability of the Group.

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%.

11. 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 2002 was HK$53,307,000 (2001: HK$542,000).

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$63,395,000 (2001: net profit of HK$7,585,000) and the weighted average of 955,568,441 (2001: 494,252,740) shares in issue during the year. The open offer of the Company's shares and the bonus share issue after the balance sheet date, as disclosed in note 33 to the financial statements, have not been adjusted in the calculation of basic earnings/(loss) per share as the proposed open offer and the bonus share issue have not yet become unconditional up to the date of approval of these financial statements.

Diluted earnings/(loss) per share amounts for the years ended 31 March 2002 and 2001 have not been disclosed because no diluting events existed during these years.

13. FIXED ASSETS

Group

	Medium term leasehold land and buildings in Hong Kong	Leasehold improvements	Plant and machinery	Moulds	Furniture, equipment and motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:						
At beginning of year	17,354	4,007	68,962	77,486	12,181	179,990
Additions	–	1,254	14,755	28,162	627	44,798
Arising on acquisition of the PCB Factory in the PRC	–	–	15,078	8,675	678	24,431
Disposals	–	(788)	(1,227)	(12,506)	(1,128)	(15,649)
At 31 March 2002	**17,354**	**4,473**	**97,568**	**101,817**	**12,358**	**233,570**
Accumulated depreciation:						
At beginning of year	1,715	3,769	34,887	35,560	9,456	85,387
Provided during the year	347	980	13,958	18,659	1,856	35,800
Disposals	–	(788)	(847)	(12,506)	(1,127)	(15,268)
At 31 March 2002	**2,062**	**3,961**	**47,998**	**41,713**	**10,185**	**105,919**
Net book value:						
At 31 March 2002	**15,292**	**512**	**49,570**	**60,104**	**2,173**	**127,651**
At 31 March 2001	15,639	238	34,075	41,926	2,725	94,603

The net book value of the Group's fixed assets held under finance leases included in the total amount of the plant and machinery and motor vehicles at 31 March 2002, amounted to approximately HK$7,415,000 (2001: HK$6,023,000).

At 31 March 2002, 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 22).

14. GOODWILL

The amount of the goodwill capitalised as an asset, arising from the acquisition of the PCB Factory, as defined and detailed in notes 17(a) and 29(c) to the financial statements, during the year is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Cost:		
Acquisition of the PCB Factory and at end of year	**9,538**	–
Accumulated amortisation:		
Amortisation provided during the year and at end of year	**(1,908)**	–
Net book value:		
At end of year	**7,630**	–

15. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	HK$'000
Unlisted shares, at cost	**95,229**	95,229
Due from subsidiaries	**268,042**	142,180
Due to subsidiaries	**–**	(11,727)
	363,271	225,682
Less: Provision for impairment	**(77,800)**	–
	285,471	225,682

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

15. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal 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
Held directly:				
Cedar Base (BVI) Limited	British Virgin Islands	Ordinary US$200	100%	Investment holding
Held indirectly:				
Cedar Base Electronic Limited	Hong Kong	Ordinary HK$2 Non-voting deferred (note (a)) HK$500,000	100%	Manufacture and trading of electronic products
Cedar Plastic Manufacturing Limited	Hong Kong	Ordinary HK$10,000	100%	Leasing of machinery
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

15. INTERESTS IN SUBSIDIARIES (continued)

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

Company	Place of incorporation/ registration	Nominal value of issued and fully paid-up share/registered capital	Attributable equity interest	Principal activities
Held indirectly (continued):				
Modaberi Limited	British Virgin Islands	Ordinary US$1	100%	Trading and manufacture of electronic products in the PRC
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$59,863,722	94%	Manufacture of electronic products and components
東莞黃河電子有限公司 (Note (c))	PRC	HK$9,475,180	100%	Dormant

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 at 31 March 2002.

15. 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 at 31 March 2002. 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, which are not significant to the Group, 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".

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

16. INTERESTS IN ASSOCIATES

	Group	
	2002	2001
	HK$'000	HK$'000
Share of net assets other than goodwill	**27,560**	33,293

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 April 2001, to remain eliminated against consolidated reserves.

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. As a result, the Group recognised an impairment of part of the goodwill previously eliminated against consolidated reserves, of HK$12,469,000, during the year. The amount of goodwill therefore remaining in consolidated reserves, arising from the acquisition of associates prior to 1 April 2001, is HK$16,081,000 (2001: HK$28,550,000), at 31 March 2002. The amount of goodwill eliminated against consolidated reserves is stated at its cost of HK$28,550,000 less impairment of HK$12,469,000.

16. INTERESTS IN ASSOCIATES (continued)

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Held indirectly:				
Electronics Tomorrow Manufactory Inc. ("ETMI")	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 ("DG Yifu")	Corporate	PRC	37.8	Manufacture of printed circuit boards

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

Subsequent to the balance sheet date, the Group's holding in the ETMI Group decreased from 45% to 35% with the holding in DG Yifu decreased from 37.8% to 29.4% due to the issuance and allotment of new shares to the other shareholder of ETMI.

17. DEPOSITS PAID FOR OTHER INVESTMENTS

		Group	
	Notes	**2002 HK$'000**	2001 HK$'000
Deposit paid for 東莞望牛墩興強線路板廠	(a)	**–**	31,944
Deposit paid for 東莞市奇美寶文具用品有限公司	(b)	**17,130**	17,130
		17,130	49,074
Less: Classified as other receivable	(b)	**(17,130)**	–
		–	49,074

(a) On 16 February 2001, 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 (the "PCB Factory"), a company engaged in the trading and manufacture of printed circuit boards and established in the PRC, for a total cash consideration of RMB38.5 million, of which RMB34.5 million was settled upon the signing of the S&P Agreement in the prior year. The remaining balance of RMB4 million was settled upon the completion of the S&P Agreement in April 2001.

(b) On 5 February 2001, 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, a company engaged in the trading and manufacture of wooden products and established in the PRC, at a consideration ranging from RMB34 million to RMB36 million, which was 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 in the prior year. The remaining consideration would be payable upon the completion of the acquisition by the issuance of new shares of the Company at a price to be determined based on the then prevailing market prices.

Due to the failure of 東莞市奇美寶文具用品有限公司 to transfer its relevant land use rights and building ownership certificates to the Group, the Agreement was terminated pursuant to a cancellation agreement dated 15 March 2002 signed between the parties involved with the deposit paid by the Group in the prior year to be returned. Up to the approval of these financial statements, RMB7.6 million has been received and the remaining balance will be settled in six instalments before the end of March 2003. Accordingly, the deposit paid in the prior year is reclassified from non-current asset at 31 March 2001 to current asset as other receivable at 31 March 2002. In addition, a 100% equity interest in 東莞市奇美寶文具用品有限公司 has been pledged as security for this receivable and will only be released upon full payment of the balance.

18. INVENTORIES

	Group	
	2002	2001
	HK$'000	HK$'000
Raw materials	**65,785**	76,644
Work in progress	**6,666**	5,743
Finished goods	**9,414**	10,246
	81,865	92,633

19. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. 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.

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

	Group	
	2002	2001
	HK$'000	HK$'000
Current to 90 days	**27,315**	29,777
91 to 180 days	**23,918**	27,069
Over 181 days	**2,735**	2,512
	53,968	59,358

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**34,303**	2,290	**10**	–
Time deposits	**–**	5,620	**–**	–
	34,303	7,910	**10**	–

21. TRADE AND BILLS PAYABLES

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

	Group	
	2002	2001
	HK$'000	HK$'000
Current to 90 days	**10,948**	15,745
91 to 180 days	**10,230**	7,893
Over 181 days	**1,653**	2,531
	22,831	26,169

22. BANKING FACILITIES

(a) At 31 March 2002, the Group's banking facilities were secured by the following:

(i) the pledge of the Group's time deposits of approximately HK$1.0 million (2001: HK$9.1 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$15.3 million (2001: HK$15.6 million) (note 13);

(iii) legal charges on certain properties owned by two (2001: four) related parties;

(iv) unlimited continuing guarantees executed jointly and severally by Mr. Tong Yiu Lun and Ms. Wu Pik Ying, who are directors of the Company; and

(v) corporate guarantees from the Company.

(b) The Group's overdraft facilities amounting to HK$1.0 million (2001: HK$8.0 million), all of which have been utilised at the balance sheet dates, were secured by the pledge of certain of the Group's time deposits disclosed in (a) above.

23. BANK LOANS, SECURED

	Group 2002 HK$'000	2001 HK$'000
Bank loans repayable:		
Within one year	**4,062**	7,779
In the second year	**3,175**	–
In the third to fifth years, inclusive	**2,075**	1,852
	9,312	9,631
Portion classified as current liabilities	**(4,062)**	(7,779)
Non-current portion	**5,250**	1,852

Details of the security provided by the Group in respect of the bank loans are set out in note 22 above.

24. MORTGAGE LOANS, SECURED

	Group 2002 HK$'000	2001 HK$'000
Mortgage loans repayable:		
Within one year	**925**	802
In the second year	**980**	848
In the third to fifth years, inclusive	**3,311**	3,026
Beyond five years	**2,729**	4,136
	7,945	8,812
Portion classified as current liabilities	**(925)**	(802)
Non-current portion	**7,020**	8,010

Details of the security provided by the Group in respect of the mortgage loans are set out in note 22 above.

25. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery and motor vehicles for its LCD-based electronic products business. These leases are classified as finance leases and have remaining lease terms ranging from one to two years.

At 31 March 2002, the total future minimum lease payments under finance leases and their present values, were as follows:

Group

	Minimum lease payments 2002 HK$'000	Minimum lease payments 2001 HK$'000	Present value of minimum lease payments 2002 HK$'000	Present value of minimum lease payments 2001 HK$'000
Amounts payable:				
Within one year	**3,695**	2,192	**3,432**	1,959
In the second year	**1,976**	642	**1,799**	542
Total minimum finance lease payments	**5,671**	2,834	**5,231**	2,501
Future finance charges	**(440)**	(333)		
Total net finance lease payables	**5,231**	2,501		
Portion classified as current liabilities	**(3,432)**	(1,959)		
Non-current portion	**1,799**	542		

At 31 March 2001, finance lease payables of approximately HK$239,000 were secured by personal guarantees given by Mr. Tong Yiu Lun and/or Ms. Wu Pik Ying, who are directors of the Company. These personal guarantees were released following the full settlement of the relevant finance lease payables during the year.

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

26. DEFERRED TAX

	Group	
	2002	2001
	HK$'000	HK$'000
At beginning of year	**2,520**	1,716
Charge for the year – note 10	**–**	804
At end of year	**2,520**	2,520

The principal components of the Group's provision for deferred tax, and the net deferred tax asset position not recognised in the financial statements are as follows:

	Provided		Not provided	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated depreciation allowances	**3,189**	3,189	**90**	(112)
Tax losses carried forward	**(669)**	(669)	**(843)**	(512)
	2,520	2,520	**(753)**	(624)

The Company had no significant unprovided deferred tax at the balance sheet date (2001: Nil).

27. SHARE CAPITAL

Shares

	2002	2001
	HK$'000	HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
1,312,524,000 (2001: 578,250,000) ordinary shares of HK$0.10 each	**131,252**	57,825

27. SHARE CAPITAL (continued)

Shares (continued)

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

	Notes	**Carrying amount 2002 HK$'000**	**No. of shares 2002 '000**	Carrying amount 2001 HK$'000	No. of shares 2001 '000
At beginning of year		**57,825**	**578,250**	40,000	400,000
Issue of shares for acquisition of interests in associates		**–**	**–**	17,825	178,250
Placement of new shares	(a) to (d)	**66,505**	**665,049**	–	–
Share options exercised	(e)	**6,922**	**69,225**	–	–
At end of year		**131,252**	**1,312,524**	57,825	578,250

Notes:

(a) On 22 May 2001, Great Wonder Investments Limited ("Great Wonder"), a substantial shareholder of the 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.

The placing and the top-up subscription of the new shares were completed on 6 June 2001. A sum of approximately HK$29,797,000, net of share issue expenses, was raised and used for the reduction of the Group's bank debts and as general working capital of the Group. The excess of the proceeds over the nominal value of the shares issued was credited to the share premium account.

(b) On 12 July 2001, Great Wonder entered into a second placing agreement with an independent placing agent for the placement of 112,295,000 ordinary shares of the Company owned by Great Wonder at a price of HK$0.20 per share. Pursuant to a second 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 second placing and the second top-up subscription of the new shares were completed on 27 July 2001. A sum of approximately HK$29,648,000, net of share issue expenses, was raised and used for the reduction of the Group's bank debts and as general working capital of the Group. The excess of the proceeds over the nominal value of the shares issued was credited to the share premium account.

27. SHARE CAPITAL (continued)

Shares (continued)

(c) On 8 October 2001, Great Wonder entered into a third placing agreement with an independent placing agent for the placement of 162,000,000 ordinary shares of the Company owned by Great Wonder at a price of HK$0.10 per share. Pursuant to a third top-up subscription agreement of the same date, Great Wonder subscribed for 180,000,000 new ordinary shares of the Company at a price of HK$0.10 per share.

The third placing and the third top-up subscription of the new shares were completed on 22 October 2001. A sum of approximately HK$17,114,000, net of share issue expenses, was raised and used for the reduction of the Group's bank debts and as general working capital of the Group. The excess of the proceeds over the nominal value of the shares issued was credited to the share premium account.

(d) On 9 January 2002, Great Wonder entered into a fourth placing agreement with an independent placing agent for the placement of 218,754,000 ordinary shares of the Company owned by Great Wonder at a price of HK$0.10 per share. Pursuant to a fourth top-up subscription agreement of the same date, Great Wonder subscribed for 218,754,000 new ordinary shares of the Company at a price of HK$0.10 per share.

The fourth placing and the fourth top-up subscription of the new shares were completed on 17 January 2002. A sum of approximately HK$21,179,000, net of share issue expenses, was raised and used as general working capital of the Group. The excess of the proceeds over the nominal value of the shares issued was credited to the share premium account.

(e) During the year ended 31 March 2002, the subscription rights attaching to 69,225,000 share options were exercised at the subscription price of HK$0.222 per share, resulting in the issue of 69,225,000 shares of HK$0.10 each for a total cash consideration, before share issue expenses, of approximately HK$15,368,000.

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 14 and 16.

During the year, the Company granted a total of 69,225,000 share options under the Scheme for a nominal consideration of HK$1.00 in total per grant. The share options granted entitled the holders to subscribe for shares of the Company at any time during period from 28 May 2001 to 21 September 2009. The subscription prices per share payable upon the exercise of these options was HK$0.222, subject to adjustment. All the above share options were exercised during the year at an exercise price of HK$0.222. No share options were outstanding at the balance sheet date (2001: Nil).

28. RESERVES

Group

	Share premium HK$'000	Statutory reserve HK$'000 (note (b))	Enterprise development fund HK$'000 (note (b))	Exchange fluctuation reserve HK$'000	Goodwill reserve HK$'000 (note (c))	Capital reserve HK$'000 (note (a))	Retained profits HK$'000	Total HK$'000
At 1 April 2001	23,850	599	600	(99)	–	340	103,098	128,388
Issue of shares for acquisition of interests in associates	49,675	–	–	–	–	–	–	49,675
Arising from acquisition of interests in associates	–	–	–	–	(28,550)	–	–	(28,550)
Net profit for the year	–	–	–	–	–	–	7,585	7,585
At 31 March 2001 and 1 April 2001	73,525	599	600	(99)	(28,550)	340	110,683	157,098
Issue of shares	43,021	–	–	–	–	–	–	43,021
Share issue expenses	(3,342)	–	–	–	–	–	–	(3,342)
Impairment of goodwill remaining eliminated against consolidated reserves	–	–	–	–	12,469	–	–	12,469
Net loss for the year	–	–	–	–	–	–	(63,395)	(63,395)
At 31 March 2002	**113,204**	**599**	**600**	**(99)**	**(16,081)**	**340**	**47,288**	**145,851**
Reserves retained by:								
Company and subsidiaries	113,204	599	600	(99)	(16,081)	340	53,819	152,382
Associates	–	–	–	–	–	–	(6,531)	(6,531)
At 31 March 2002	**113,204**	**599**	**600**	**(99)**	**(16,081)**	**340**	**47,288**	**145,851**
Company and subsidiaries	73,525	599	600	(99)	(28,550)	340	111,481	157,896
Associates	–	–	–	–	–	–	(798)	(798)
At 31 March 2001	73,525	599	600	(99)	(28,550)	340	110,683	157,098

28. RESERVES (continued)

Company

	Share premium HK$'000	Capital reserve HK$'000 (note (a))	Accumulated losses HK$'000	Total HK$'000
At 1 April 2001	23,850	95,029	(155)	118,724
Issue of shares for acquisition of interests in associates	49,675	–	–	49,675
Net loss for the year	–	–	(542)	(542)
At 31 March 2001 and 1 April 2001	73,525	95,029	(697)	167,857
Issue of shares	43,021	–	–	43,021
Share issue expenses	(3,342)	–	–	(3,342)
Net loss for the year	–	–	(53,307)	(53,307)
At 31 March 2002	**113,204**	**95,029**	**(54,004)**	**154,229**

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 prior to the listing of the Company's shares 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.

28. RESERVES (continued)

(c) As detailed in notes 3 and 16 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 April 2001 to remain eliminated against consolidated reserves.

The amount of the goodwill remaining in consolidated reserves, arising from the acquisition of associates prior to 1 April 2001, is HK$16,081,000 (2001: HK$28,550,000), at 31 March 2002. The amount of goodwill eliminated against consolidated reserves is stated at cost of HK$28,550,000 less impairment of HK$12,469,000.

(d) The Company had distributable reserves of HK$154,229,000 (2001: HK$167,857,000) at 31 March 2002. Under the Companies Law (2001 Revision) of the Cayman Islands, the share premium 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.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2002	2001
	HK$'000	HK$'000
Profit/(loss) from operating activities	**(40,273)**	20,396
Interest income	**(560)**	(1,010)
Depreciation	**35,800**	25,802
Amortisation of goodwill	**1,908**	–
Gain on disposal of fixed assets	**(781)**	(34)
Decrease/(increase) in inventories	**11,832**	(38,870)
Decrease in trade receivables	**6,005**	6,498
Decrease/(increase) in prepayments, deposits and other receivables	**(339)**	5,637
Decrease in amount due from a minority shareholder	**–**	3,300
Increase/(decrease) in trust receipt loans with original maturity of more than three months from date of advance	**(50,616)**	52,960
Decrease in trade and bills payables	**(3,338)**	(4,361)
Increase in accrued liabilities and other payables	**4,929**	787
Net cash inflow/(outflow) from operating activities	**(35,433)**	71,105

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

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

	Issued capital (including share premium) HK$'000	Bank loans and mortgage loans HK$'000	Finance lease payables HK$'000	Minority interests HK$'000
At 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)
At 31 March 2001 and 1 April 2001	131,350	18,443	2,501	3,417
Cash inflow/(outflow) from financing activities, net	113,106	(1,186)	(4,830)	–
Inception of finance lease contracts	–	–	7,560	–
Share of loss for the year	–	–	–	(1,030)
At 31 March 2002	**244,456**	**17,257**	**5,231**	**2,387**

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

(c) Acquisition of the PCB Factory in the PRC

	Group	
	2002	2001
	HK$'000	HK$'000
Net assets acquired:		
Fixed assets	**24,431**	–
Inventories	**1,064**	–
Trade receivables	**615**	–
	26,110	–
Goodwill on acquisition	**9,538**	–
	35,648	–
Satisfied by:		
Cash	**3,704**	–
Deposit paid for other investment (note 17 (a))	**31,944**	–
	35,648	–

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the PCB Factory in the PRC is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Cash consideration and net outflow of cash and cash equivalents in respect of the acquisition of the PCB Factory in the PRC	**3,704**	–

On 16 February 2001, a subsidiary of the Company entered into 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 (the "PCB Factory") for a total cash consideration of RMB38.5 million, of which RMB34.5 million was settled upon the signing of the S&P Agreement in the prior year. The remaining balance of RMB4 million was settled upon the completion of the S&P Agreement in April 2001. For further details, please refer to note 17(a) to the financial statements.

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

(c) Acquisition of the PCB Factory in the PRC (continued)

Since its acquisition, the PCB Factory contributed approximately HK$10 million to the Group's turnover and a profit before tax and before minority interests of approximately HK$6 million for the year ended 31 March 2002.

For the year ended 31 March 2002, the acquired PCB Factory contributed net operating cash inflows of approximately HK$292,000 to the Group, paid approximately HK$237,000 in respect of the cashflows for investing activities, but had no significant impact in respect of the Group's cash flows for financing activities, net returns on investments and servicing of finance or the payment of tax.

(d) 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$7,560,000 (2001: HK$2,700,000).

(ii) In the prior year, the Group acquired a 45% equity interest in the Group's associates 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.

30. CAPITAL COMMITMENTS

(a) At 31 March 2002, the Group was committed to make a capital injection to an equity joint venture operating in the PRC of approximately HK$45.1 million (2001: HK$52.9 million).

(b) In addition, at 31 March 2002, the Group's shares of the associates' own capital commitment in respect of a capital injection to an equity joint venture operating in the PRC amounted to approximately HK$5.0 million (2001: Nil) and is not included in the above.

The Company did not have significant capital commitments at the balance sheet dates.

31. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties, factory premises and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At 31 March 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Within one year	**1,538**	814
In the second to fifth years, inclusive	**1,753**	–
	3,291	814

The Company did not have operating lease commitments at the balance sheet date (2001: Nil).

32. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bills discounted with recourse	**3,955**	8,019	**–**	–
Guarantees given to banks in connection with facilities granted to certain subsidiaries	**–**	–	**30,488**	121,540
	3,955	8,019	**30,488**	121,540

At 31 March 2002, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$11.7 million (2001: HK$52.8 million).

33. POST BALANCE SHEET EVENT

Pursuant to the Company's press announcement dated 17 June 2002, the Company proposed to increase its authorised share capital from 2,000,000,000 shares to 10,000,000,000 shares and to alter the articles of association of the Company to allow a distribution to the shareholders on a non pro-rata basis. The proposed increase in the authorised share capital of the Company and the proposed alteration to the articles of association were approved by the shareholders at the extraordinary general meeting held on 22 July 2002.

In addition, the Company proposed to raise approximately HK$43.8 million, before expenses, by issuing 437,508,000 new shares of HK$0.10 each by way of an open offer at a price of HK$0.10 per offer share. The Company will allot one offer share for every three existing shares held by the qualifying shareholders on 22 July 2002. The Company also proposed to issue 1,312,524,000 bonus shares to the first registered holders of the offer shares on the basis of three bonus shares for every offer share taken up. Great Wonder, a substantial shareholder of the Company holding 280,000,000 shares (representing approximately 21.33% of the Company's share capital) at the announcement date of 17 June 2002, has undertaken to subscribe for its provisional entitlement in full, amounting to 93,333,333 offer shares. The offer shares, amounting to not more than 344,174,667 offer shares, are fully underwritten by an independent third party subject to certain conditions set out in the underwriting agreement.

Net proceeds of the open offer is estimated to be approximately HK$40 million. The Company intends to apply approximately HK$20 million to finance any future possible investments, approximately HK$5 million to repay partly the outstanding indebtedness and to develop its core electronic business and the balance thereof as general working capital of the Group.

Further details of the increase in authorised share capital, the alteration of the Company's articles of association, the open offer and bonus share issue are set out in a circular and a prospectus to the shareholders of the Company dated 29 June 2002 and 23 July 2002, respectively.

34. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

At 31 March 2002 and 2001, the banking facilities of the Group were supported by the following related parties at nil consideration (note 22):

(i) legal charges on certain properties owned by two (2001: four) 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 were secured by personal guarantees given by Mr. Tong Yiu Lun and/or Ms. Wu Pik Ying, who are directors of the Company. These personal guarantees were released following the full settlement of the relevant finance lease payables during the year (note 25).

35. COMPARATIVE AMOUNTS

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

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 July 2002.