1. ORGANISATION AND OPERATIONS

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11th October, 1995.

During the year, the Group was principally engaged in the manufacturing and trading of plastic and metal household products.

2. BASIS OF PRESENTATION

The Group recorded a net profit attributable to shareholders amounting to HK$5,681,000 (2000 – net loss of HK$118,536,000) for the year ended 31st March, 2001 and had net current assets of HK$25,917,000 (2000 – net current liabilities of HK$264,403,000), which included restricted bank deposits of HK$41,029,000 (2000 – HK$40,156,000) as at that date. The nature of the restricted bank deposits is disclosed in Note 32(b).

The financial statements have been prepared on a going concern basis, the validity of which depends upon the success of future operations of the business of the Group and availability of adequate working capital to satisfy the repayment requirements of the Group within the next twelve months. Details of the repayment requirements are set out in Notes 4, 20 and 25. In satisfying the repayment requirements, the Group may need to utilise part of the restricted bank deposits of HK$41,029,000 (2000 – HK$40,156,000) which requires the consent of eighteen bankers of the Group (the "Bank Group"), excluding a PRC banker.

The directors have continued to tighten cost controls over factory overheads and various general and administrative expenses to improve the financial position, cash flows, profitability and operations of the Group. During the year and subsequent to 31st March, 2001, the Group has carried out a business re-engineering process and, as a result, three separate manufacturing operations have been relocated and consolidated. Accordingly, the directors anticipate that the Group will continue to benefit from certain cost savings.

In light of the cost saving measures, the growth plans and the completion of the debt restructuring plan as described in Note 4, the directors believe that the Group will have sufficient working capital for its current operational requirements and will return to a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements as at and for the year ended 31st March, 2001 on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to adjust the values of assets to their recoverable amounts, to provide for any further liabilities which may arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

The financial statements contain comparative amounts as at and for the year ended 31st March, 2000 which were audited and reported on by certified public accountants other than Arthur Andersen & Co whose report dated 31st October, 2000 was qualified. The qualification was made in respect of audit scope limitations relating to certain matters of alleged misfeasance (as described in Note 36) and the accounting for the discontinued operations (as described in Note 35). Further details are provided in Note 37 to these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared under the historical cost convention and in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st March, 2001. The results of the 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Turnover

Turnover represents the net invoiced value of goods sold, after allowances for goods returned and trade discounts, but excludes intra-group transactions during the year.

(d) Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the Company and the revenue and costs, if applicable, can be measured reliably, turnover and other revenue are recognised on the following bases:

(i) Sale of goods
Sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to a customer.

(ii) Rental income
Rental income is recognised on a straight-line basis over the lease terms.

(iii) Interest income
Interest income from bank deposits is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

(e) Subsidiaries

A company is a subsidiary if more than 50% of the issued voting capital is held long-term, directly or indirectly. In the financial statements of the Company, investment in subsidiaries is carried at cost less provision for impairment in value where considered necessary by the directors. The results of the subsidiaries are included in the income statement to the extent of dividends declared by the subsidiaries.

(f) Associate

An associate is an enterprise over which the Group has significant influence, but not control or joint control, and thereby has the ability to participate in its financial and operating policy decisions.

In the consolidated financial statements, interest in an associate is accounted for under the equity method of accounting, whereby the investment is initially recorded at cost and the carrying amount is adjusted to recognise the Group's share of the post-acquisition profits or losses of the associate, distributions received from the associate and other necessary alterations in the Group's proportionate interest in the associate arising from changes in the equity of the associate that have not been included in the consolidated income statement. Where, in the opinion of the directors, there is an impairment in value of an associate, or the market value has fallen below the carrying value over a sustained period of time, a provision is made for such impairment in value.

The financial year end of the associate is 31st December, accordingly, the share of results of the associate is arrived at based on the unaudited management accounts as at 31st December, 2000.

(g) Fixed assets and depreciation

Fixed assets, other than construction-in-progress, 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 income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Fixed assets and depreciation (continued)

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

Leasehold land	Over the terms of the leases
Buildings	2% or the terms of the leases, if shorter
Leasehold improvements	14.3% – 20%
Plant and machinery	20%
Furniture, fixtures, office and computer equipment	20%
Motor vehicles	20% – 25%
Moulds	20%

Assets held under finance leases are depreciated over their expected useful lives (or, where shorter, the term of the lease) on the same basis as owned assets.

A write down will be made if the recoverable amount of fixed assets is below the carrying amount. The write down will be charged to the income statement as an expense unless it reverses a previous revaluation increase, in which case, it is charged directly against any related revaluation reserve to the extent that the reduction does not exceed the amount held in the revaluation reserve in respect of the same item. In determining the recoverable amount, expected future cash flows are not discounted to their present values.

A subsequent increase in the recoverable amount of an asset carried at depreciated cost is written back when the circumstances that led to the write down cease to exist. The amount written back is reduced by the amount that would have been recognised as depreciation had the write down not occurred.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

(h) Construction-in-progress

Construction-in-progress is stated at cost and is not depreciated. Cost comprises development and construction expenditures and other direct costs attributable to the construction as well as interest charges related to funds borrowed during the period of construction. Construction-in-progress is reclassified to the appropriate category of fixed assets when it is completed and ready for its intended use.

(i) Borrowing costs

Interest is expensed as incurred, except for interest directly attributable to the construction of property under development which is capitalised as part of the cost of that property. Interest is capitalised at the weighted average cost of the related borrowings up to the date of completion of the property. The capitalised interest rate represents the weighted average cost of capital from raising the related borrowings externally and is approximately 8%.

Other borrowing costs, including amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arranging borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs, are considered immaterial and are recognised as an expense in the year incurred.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is based on the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Inventories (continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Leases

(i) Finance leases

Leases that transfer to the Group substantially all the rewards and risks of ownership of the assets, other than legal title, are accounted for as finance leases.

Fixed assets held under finance leases are initially recorded at the present value of the minimum lease payments at the inception of the leases, with the equivalent liabilities recorded as appropriate under current or non-current liabilities.

Finance charges, which represent the difference between the minimum lease payments at the inception of the leases and the fair value of the assets, are allocated to accounting periods over the period of the relevant leases so as to produce a constant periodic rate of charge on the outstanding balances.

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership remain with the leasing company are accounted for as operating leases. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

(l) Deferred taxation

Deferred taxation is provided under the liability method, at the current tax rate, in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except where it is considered that no liability will arise in the foreseeable future.

A deferred tax asset is not recognised unless the related benefits are expected to crystallise in the foreseeable future.

(m) Foreign currencies

Individual companies in the Group maintain their books and records in the primary currencies of their respective countries ("functional currencies").

In the financial statements of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. All exchange differences are dealt with in the individual companies' income statements.

For the purpose of consolidation, the financial statements of the subsidiaries (including all the assets, liabilities, income and expense items) are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date. Exchange differences arising on such translation are credited or charged to the exchange fluctuation reserve.

4. DEBT RESTRUTURING

On 10th November, 2000, the Group entered into a legally binding Debt Restructuring Deed ("DRD") with the Bank Group, excluding a PRC banker, pursuant to which the Bank Group agreed to restructure the outstanding bank indebtedness of the Group, major terms of which, as revised by subsequent amendments, were as follows:

(a) the reinstatement of the banking facility for the Group's secured indebtedness of HK$7,773,000, which included all outstanding principal, unpaid interest, and other fees, costs and charges in respect of a mortgage loan. The banking facility was reinstated on the terms and conditions contained in the existing facility arrangements, except that no further drawdown under the existing facility can be made.

(b) the Group's residual indebtedness of HK$337,041,000 was dealt with in the following manner:

(i) the execution of a debt compromise arrangement ("Debt Compromise") whereby the Bank Group nominated approximately HK$53.4 million of its total debts for settlement. The Group earmarked approximately HK$10.8 million from its internal cash resources for full and final settlement of the compromised debts.

(ii) HK$116,873,344 as Zero Coupon Secured Convertible Bonds ("Zero CB"). The terms of the Zero CB include (i) repayment of the principal amount outstanding on the 5th anniversary of the date of issue; (ii) conversion rights at HK20 cents per share, or at HK15 cents per share in the event of default, for fully paid ordinary shares of the Company (subject to further adjustment as stipulated in the DRD); and (iii) a conversion period of 5 years from the date of issue.

(iii) HK$57,126,656 as Secured Convertible Bonds with a 4% Coupon ("4% CB"). The terms of the 4% CB include (i) repayment of the principal amount outstanding together with all interest outstanding on the 5th anniversary of the date of issue; (ii) conversion rights at HK20 cents per share, or at HK15 cents per share in the event of default, for fully paid ordinary shares of the Company (subject to further adjustment as stipulated in the DRD); (iii) a conversion period of 5 years from the date of issue; and (iv) an annual interest rate of 4% payable in arrears every six months.

(iv) The balance of the residual indebtedness of approximately HK$109,641,000 was divided among the banks in the Bank Group on the basis of their residual indebtedness percentage as a term loan over 5 years with interest at the 3-month Hong Kong Inter-bank Offer Rate plus 1% per annum. The principal will be repayable commencing on 30th August, 2001, and for every six months, HK$11,000,000 will be payable pro rata to each bank by reference to their residual indebtedness percentage. At the end of the fifth year, the remaining balance of the term loan will be repaid in full. The interest expense associated with the term loan is payable on a quarterly basis.

The aforesaid convertible bonds and term loan are secured by (i) all existing guarantees and security which remain in full force and effect; and (ii) the security provided pursuant to the terms of a standstill and security sharing arrangement with the Bank Group on 7th December, 1999 which had lapsed on 14th January, 2000. Further security would be provided by way of a charge over (i) the banking facilities for working capital purposes to be granted to the Group; (ii) any deposit account held by the security agent of the Bank Group; and (iii) any new facilities provided by any banks of the Bank Group.

The above mentioned debt restructuring plan was completed on 15th December, 2000. As a result of the debt restructuring as described in (b)(i) above, a gain on forgiveness of debt of approximately HK$30,060,000, after deduction of the related direct expenses, was recognised in the consolidated income statement for the year.

Pursuant to the Share Offer Agreement dated 15th December, 2000, the agent acting on behalf of the Bank Group, by way of Share Sale, converted HK$86,873,344 Zero Coupon Secured Convertible Bonds into shares at HK20 cents per share. Based on the terms defined in the DRD, the qualifying shareholders of the Company acquired 434,366,720 shares from the Bank Group at HK5 cents per share.

5. TURNOVER AND OTHER REVENUE

An analysis of turnover and other revenue is as follow:

	Group	
	2001	2000
	HK$'000	HK$'000 (Note 37)
Sales of goods		
Continuing operations	404,490	494,525
Discontinued operations	–	87,741
Turnover	404,490	582,266
Other revenue		
Continuing operations		
Exchange gains, net	358	1,373
Rental income from land and buildings under operating leases, net of outgoings	457	367
Interest income	3,538	209
Others	947	2,079
	5,300	4,028
Discontinued operations		
Gain on disposal of a subsidiary, net	–	369
Interest income	–	53
Others	–	41
	–	463
Total revenue	409,790	586,757

6. MAJOR CUSTOMER

During the year, the largest customer accounted for approximately 29% (2000 – 25%) of the total sales of the Group.

7. PROFIT (LOSS) FROM OPERATING ACTIVITIES

Profit (Loss) from operating activities is determined after charging and crediting the following:

	Group		
	2001	2000	
	Continuing operations HK$'000	Continuing operations HK$'000 (Note 37)	Discontinued operations HK$'000 (Note 35)
After charging:			
Auditors' remuneration	700	650	–
Depreciation:			
– Owned fixed assets	44,595	54,247	13,391
– Leased fixed assets	3,378	3,392	3,143
	47,973	57,639	16,534
Operating lease rentals of land and buildings	6,088	7,502	1,811
Staff costs (including directors' emoluments)	57,826	71,667	5,977
Exchange losses, net	–	–	31
Provision against inventories to reduce the carrying value to the lower of cost and net realisable value	–	43,569	–
Loss on disposal of fixed assets	1,849	22,752	–
Provision for impairment in value of fixed assets	–	5,000	–
Provision for impairment in value of an associate	843	–	–
Provision for bad and doubtful debts	–	4,044	–
Provision for group restructuring costs	–	5,193	–
Redundancy and severance payments	1,489	3,923	–
After crediting:			
Exchange gain, net	358	1,373	–
Gain on disposal of short-term listed investments	–	242	–
Dividend income from short-term listed investments	–	3	–
Write back of provision for inventory obsolescence	166	–	–
Write back of over-provision for depreciation	5,452	–	–
Interest income on bank deposits	3,538	209	53
Rental income (less outgoings)	457	367	–
Write back of provision for bad and doubtful debts	1,043	–	–

8. FINANCE COSTS

	Group 2001 Continuing operations HK$'000	2000 Continuing operations HK$'000 (Note 37)	2000 Discontinued operations HK$'000 (Note 35)
Interest on:			
Bank loans and overdrafts wholly repayable within five years	26,173	32,201	2,448
Other loan wholly repayable within five years	–	226	–
Convertible bonds	645	–	–
Finance leases	1,098	3,543	2,741
Total finance costs	27,916	35,970	5,189
Less: Interest capitalised in construction-in-progress	(1,741)	(2,743)	–
	26,175	33,227	5,189

9. DIRECTORS' EMOLUMENTS

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group 2001 HK$'000	2000 HK$'000 (Note 37)
Fees:		
Non-executive directors	58	–
Independent non-executive directors	367	42
	425	42
Other emoluments		
Executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	1,734	5,074
Contributions to pension scheme	8	–
	2,167	5,116

The remuneration of the directors fell within the following bands:

	Group 2001 Number	2000 Number
Nil – HK$1,000,000	13	15
HK$1,000,001 – HK$1,500,000	1	1
	14	16

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2000 – three) director, details of whose remuneration are set out in note 9 above. The details of the remuneration of the remaining four (2000 – two) non-director, highest paid employees are set out below:

	Group 2001 HK$'000	Group 2000 HK$'000 (Note 37)
Basic salaries, housing benefits, other allowances and benefits in kind	4,597	2,203
Contributions to pension scheme	11	–
	4,608	2,203

The remuneration of the four (2000 – two) non-director, highest paid employees fell within the following bands:

	Group 2001 Number	Group 2000 Number
Nil – HK$1,000,000	2	1
HK$1,000,001 – HK$1,500,000	2	1
	4	2

11. TAXATION

	Group 2001 Continuing operations HK$'000	2000 Continuing operations HK$'000 (Note 37)	2000 Discontinued operations HK$'000 (Note 35)
Group:			
Hong Kong			
– Write-back of over-provision in prior year	(27)	–	–
Mainland China			
– Current year provision	659	–	759
– Under-provision in prior year	470	–	–
Deferred tax (Note 24)	(1,000)	(448)	–
Share of tax credit attributable to an associate	–	(1)	–
Tax charge (credit) for the year	102	(449)	759

Taxes on overseas profits have been calculated on the estimated assessable profit for the year at the rates prevailing in the respective jurisdictions.

The Group's subsidiary registered in Mainland China is exempted from income tax for two years starting from the first profit-making year of operations after offsetting prior losses and is entitled to a 50% relief from income tax for the following three years. During the year, Mainland China income tax has been provided at a reduced rate of 7.5% (2000 – 7.5%) on the estimated assessable profits generated by Mainland China subsidiary.

12. NET PROFIT (LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK$3,916,000 (2000 – loss of HK$118,537,000).

13. BASIC EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the net profit (loss) from ordinary activities attributable to shareholders for the year ended 31st March, 2001 of HK$5,681,000 (2000 – loss of HK$118,536,000), and the weighted average of 508,149,560 (2000 – 434,366,720) ordinary shares in issue during the year.

14. DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share was based on adjusted consolidated net profit of approximately HK$6,243,000 (2000 – loss of HK$118,536,000) on the assumption that all convertible bonds were converted on the date of issue on 15th December, 2000 and on the weighted average number of 635,855,755 shares (2000 – 434,366,720 shares) deemed to have been in issue during the year. The calculation did not take into account the outstanding share options because the effect of the dilution arising from the exercise of share options outstanding during the year would be anti-dilutive.

The reconciliation of the number of ordinary shares is as follows:

	Group	
	2001	2000 (Note 37)
Weighted average number of ordinary shares used in calculating basic earnings (loss) per share	508,149,560	434,366,720
Deemed issue of ordinary shares at no consideration	127,706,195	–
Weighted average number of ordinary shares used in calculating diluted earnings (loss) per share	635,855,755	434,366,720

15. FIXED ASSETS

	Group 2001								2000
	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office and computer equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction-in-progress HK$'000	Total HK$'000	Total HK$'000 (Note 37)
Cost									
Beginning of year	309,210	15,404	82,786	34,182	14,720	125,201	25,079	606,582	657,973
Additions	972	40	8,340	1,868	776	4,553	7,792	24,341	30,365
Disposals	(3,350)	–	(1,360)	(1,429)	(549)	(186)	–	(6,874)	(76,756)
Reclassification	20,215	4,749	–	–	–	4,573	(29,537)	–	–
Provision for impairment in value	–	–	–	–	–	–	–	–	(5,000)
End of year	327,047	20,193	89,766	34,621	14,947	134,141	3,334	624,049	606,582
Accumulated depreciation									
Beginning of year	19,152	6,593	64,633	21,290	9,541	68,051	–	189,260	182,802
Depreciation for the year	5,964	3,086	6,791	4,741	2,495	19,444	–	42,521	57,639
Disposals	(2,043)	–	(790)	(370)	(525)	(91)	–	(3,819)	(51,181)
Reclassification	(1,091)	1,091	–	–	–	–	–	–	–
End of year	21,982	10,770	70,634	25,661	11,511	87,404	–	227,962	189,260
Net book value									
End of year	305,065	9,423	19,132	8,960	3,436	46,737	3,334	396,087	417,322
Beginning of year	290,058	8,811	18,153	12,892	5,179	57,150	25,079	417,322	475,171

The Group's leasehold land and buildings are analysed as follows:

	2001 HK$'000	2000 HK$'000 (Note 37)
Under medium term leases:		
Hong Kong	29,801	33,304
Overseas	275,264	275,906
	305,065	309,210

The Group's construction-in-progress is all situated outside Hong Kong under medium term leases. As at 31st March, 2001, leasehold land and buildings included capitalised interest of HK$1,741,000 (2000 – HK$2,743,000).

Certain of the Group's leasehold land and buildings, with a net book value of HK$91,151,000 are pledged against secured bank loans of approximately HK$39.1 million (2000 – HK$39.1 million).

The net book value of the fixed assets held under finance leases included in plant and machinery of the Group at 31st March, 2001 amounted to HK$6,825,000 (2000 – HK$10,534,000).

16. INTERESTS IN SUBSIDIARIES

	Company 2001 HK$'000	Company 2000 HK$'000 (Note 37)
Unlisted shares, at cost	158,598	158,598
Due from subsidiaries	586,578	426,690
Due to subsidiaries	(53,270)	(62,233)
	691,906	523,055
Less: Provisions for impairment in value	(293,834)	(293,834)
	398,072	229,221

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

The directors are of the opinion that the underlying value of the subsidiaries was not less than the carrying amount of the subsidiaries as at 31st March, 2001.

Particulars of the Group's principal subsidiaries at 31st March, 2001 are set out in Note 34 to the financial statements.

17. INTEREST IN AN ASSOCIATE

	Group 2001 HK$'000	Group 2000 HK$'000 (Note 37)
Share of net assets	1,041	1,371
Due from an associate	844	962
Provision for impairment in value	(843)	–
	1,042	2,333

The amount due from the associate is unsecured, interest-free and with no fixed repayment terms.

The Group holds 40% of the issued share capital of Techable Industrial Limited ("TIL"), a company incorporated in Hong Kong and engaged in the manufacturing and trading of metal products.

18. TRADE AND BILLS RECEIVABLES

Analysis of aging of trade and bills receivables of the Group is as follows:

	Group 2001 HK$'000	Group 2000 HK$'000 (Note 37)
Less than 3 months	63,932	59,749
3 months to 6 months	6,557	6,128
6 months to 1 year	4,318	2,601
More than 1 year	7,119	7,132
	81,926	75,610
Less: Provision for bad and doubtful debts	(9,137)	(12,420)
	72,789	63,190

Sales to overseas customers are largely settled on open account, where the instruction of payment is executed after 30 or 60 days.

19. INVENTORIES

	Group	
	2001	2000
	HK$'000	HK$'000
		(Note 37)
Raw materials	24,448	70,378
Work in progress	12,309	17,633
Finished goods	37,143	50,534
	73,900	138,545
Less: Provision for inventory obsolescence	(24,878)	(65,680)
	49,022	72,865

20. BANK LOANS, OVERDRAFTS AND OTHER LOANS

	Group		Company	
	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000
		(Note 37)		(Note 37)
Bank overdrafts repayable within one year or on demand	–	41,111	–	8
Bank and import loans repayable				
Within one year or on demand	85,559	324,223	22,000	117,764
In the second year	24,431	–	22,000	–
In the third to fifth years, inclusive	65,641	–	65,641	–
	175,631	324,223	109,641	117,764
	175,631	365,334	109,641	117,772
Portion classified in current liabilities	(85,559)	(365,334)	(22,000)	(117,772)
Long-term portion	90,072	–	87,641	–
Analysed as follows:				
Bank overdrafts				
Secured	–	41,024	–	–
Unsecured	–	87	–	8
	–	41,111	–	8
Bank and import loans:				
Secured	175,631	324,223	109,641	117,764
Unsecured	–	–	–	–
	175,631	324,223	109,641	117,764
	175,631	365,334	109,641	117,772

21. TRADE PAYABLES

Analysis of aging of trade payables of the Group is as follows:

	Group	
	2001 HK$'000	2000 HK$'000 (Note 37)
Less than 3 months	18,218	25,679
3 months to 6 months	1,989	12,343
6 months to 1 year	224	11,425
More than 1 year	1,391	5,495
	21,822	54,942

Payment terms with suppliers range from cash on delivery to a credit period of 30 to 60 days.

22. ADDITIONAL FINANCIAL INFORMATION ON BALANCE SHEET

As at 31st March, 2001, the net current assets of the Group amounted to approximately HK$25,917,000 (2000 – net current liabilities of approximately HK$264,403,000). On the same date, the total assets less current liabilities was approximately HK$423,046,000 (2000 – HK$155,252,000).

23. FINANCE LEASE OBLIGATIONS

	Group	
	2001 HK$'000	2000 HK$'000 (Note 37)
Amounts payable:		
Within one year	4,983	4,754
In the second year	4,116	4,490
In the third to fifth years, inclusive	–	4,116
Total minimum finance lease payments	9,099	13,360
Future finance charges	(885)	(1,912)
Total net finance lease obligations	8,214	11,448
Portion classified in current liabilities	(4,311)	(3,676)
Long-term portion	3,903	7,772

24. DEFERRED TAX

	Group	
	2001 HK$'000	2000 HK$'000 (Note 37)
Beginning of year	1,834	2,282
Reversal of net timing differences (Note 11)	(1,000)	(448)
End of year	834	1,834

Deferred tax liabilities of the Group represented the taxation effect of the timing differences arising from accelerated depreciation allowances. No deferred tax asset has been recognised in respect of the potential tax benefits relating to the tax losses.

As at 31st March, 2001, the Group and the Company had no other significant unprovided deferred tax.

25. CONVERTIBLE BONDS

	Group and Company 2001 HK$'000	2000 HK$'000 (Note 37)
Zero CB:		
Issued during the year	116,873	–
Converted during the year	(86,873)	–
End of year	30,000	–
4% CB:		
Issued during the year and at end of year	57,127	–
	87,127	–

Pursuant to the Debt Restructuring Deed dated 10th November, 2000, HK$116,873,344 Zero CB and HK$57,126,656 4% CB were issued by the Company. The Zero CB and 4% CB were issued at their principal amounts and bear interest at 0% and 4% per annum respectively. The Company may at any time, redeem all or part of the Zero CB and/or 4% CB at their principal amounts together with all interest outstanding before 15th December, 2005. The Zero CB and 4% CB are unconditionally and irrevocably guaranteed by the Company and the Group.

Subject to the rights of redemption by the Company, the Zero CB and 4% CB are convertible into fully paid ordinary shares of HK10 cents each of the Company at the option of the holder at a conversion price of HK20 cents per share at any time on or before 15th December, 2005.

The conversion price will be subject to adjustment upon the occurrence of certain events as defined in the agreement pertaining to the issuance of the Zero CB and 4% CB.

Pursuant to the Share Sale in January 2001, 434,366,720 ordinary shares of par value HK10 cents each of the Company were issued upon the conversion of the Zero CB with a principal value of approximately HK$86,873,000 by certain bondholders at a conversion price of HK20 cents per share (Notes 4 and 26). As a result of the Share Sale, the amounts of share capital and share premium increased by HK$43,436,672 each.

26. SHARE CAPITAL

	Group 2001 HK$'000	2000 HK$'000 (Note 37)
Authorised:		
4,000,000,000 (2000 – 4,000,000,000) ordinary shares of HK$0.10 each	400,000	400,000
Issued and fully paid:		
868,733,440 (2000 – 434,366,720) ordinary shares of HK$0.10 each	86,873	43,437

In January 2001, 434,366,720 new ordinary shares of par value HK$0.1 each were issued by the Company as a result of the Share Sale (Notes 4 and 25).

27. SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 20th September, 1995, the Company may grant options to employees and directors of any company in the Group to subscribe for its shares subject to certain terms and conditions. The maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company from time to time.

As at the balance sheet date, the Company had the following outstanding share options pursuant to the above share option scheme:

Date of grant of share options	Number of share options outstanding At 31st March, 2001	Number of share options outstanding At 31st March, 2000	Subscription price per share	Exercise period
7th October, 1996	1,000,000	1,000,000	HK$1.68	7th October, 1996 – 6th October, 2001

During the year, no share options were exercised or lapsed.

28. RESERVES

Movement of reserves of the Group and the Company during the year was as follows:

Group	2001 Share premium HK$'000	2001 Capital redemption reserve HK$'000	2001 Exchange fluctuation reserve HK$'000	2001 Contributed surplus HK$'000	2001 Accumulated losses HK$'000	2001 Total HK$'000	2000 Total HK$'000
Beginning of year	238,612	1,265	139	51	(137,784)	102,283	220,824
Exchange differences arising on consolidation	–	–	–	–	–	–	(5)
Share Sale (Notes 4 and 26)	43,437	–	–	–	–	43,437	–
Net profit (loss) for the year	–	–	–	–	5,681	5,681	(118,536)
End of year	282,049	1,265	139	51	(132,103)	151,401	102,283
The Company and subsidiaries	282,049	1,265	139	51	(132,779)	150,725	101,277
Associate	–	–	–	–	676	676	1,006
	282,049	1,265	139	51	(132,103)	151,401	102,283

Company	2001 Share premium HK$'000	2001 Capital redemption reserve HK$'000	2001 Contributed surplus HK$'000	2001 Accumulated losses HK$'000	2001 Total HK$'000	2000 Total HK$'000
Beginning of year	238,612	1,265	158,398	(295,992)	102,283	220,820
Share Sale (Notes 4 and 26)	43,437	–	–	–	43,437	–
Net profit (loss) for the year	–	–	–	3,916	3,916	(118,537)
End of year	282,049	1,265	158,398	(292,076)	149,636	102,283

28. RESERVES (continued)

The laws and regulations of Mainland China require wholly foreign-owned enterprises in Mainland China ("WFOE") to provide for certain statutory reserves namely general reserve, enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the statutory accounts.

The Group's subsidiary in Mainland China, which is a WFOE, is required to allocate at least 10% of its after-tax profit to the general reserve until the reserve has reached 50% of its registered capital. The general reserve can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The enterprise expansion fund can only be used to increase capital upon approval by the relevant authority. The staff welfare and bonus fund can only be used for the welfare of the employees of the subsidiary in Mainland China. Appropriation to the enterprise expansion fund and staff welfare and bonus fund is at the discretion of the Board of Directors of the subsidiary in Mainland China.

During the year, the Group's subsidiary in Mainland China did not appropriate to the statutory reserves because it did not have net profit for the year.

The contributed surplus of the Group represents the difference between the nominal value of the aggregate share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal value of the Company's shares issued as consideration for the acquisition as at the date of the Group reorganisation in 1995.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of the contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group 2001 HK$'000	Group 2000 HK$'000 (Note 37)
Profit (Loss) from operating activities	2,302	(79,920)
Interest income	(3,538)	(209)
Write back of provision for inventory obsolescence	(166)	–
Provision against inventories to reduce the carrying value to the lower of cost and net realisable value	–	43,569
Provision for bad and doubtful debts	–	4,044
Write back of provision for bad and doubtful debts	(1,043)	–
Provision for diminution in value of fixed assets	–	5,000
Provision for impairment in value of an associate	843	–
Depreciation of fixed assets	42,521	57,639
Gain on disposal of short-term listed investments	–	(242)
Loss on disposal of fixed assets	1,849	22,752
Dividend income from short-term listed investments	–	(3)
Gain on disposal of a subsidiary	–	(5,634)
Decrease (Increase) in trade and bills receivable, prepayments, deposits and other receivables	11,040	(11,100)
Decrease in inventories	24,009	33,779
Decrease (Increase) in amount due from an associate	118	(258)
(Decrease) Increase in trade payables, other payables and accruals	(39,670)	493
Increase in long-term payable	2,836	–
Net cash inflow from operating activities	41,101	69,910

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

(b) Analysis of changes in financing during the year:

	2001					2000
	Share capital and share premium HK$'000	Finance lease payable HK$'000	Bank loans and other borrowings HK$'000	Convertible bonds HK$'000	Total HK$'000	Total HK$'000
Beginning of year	282,049	11,448	211,762	–	505,259	503,012
Reclassification of bank overdrafts and import loans from cash equivalents (i)	–	–	153,572	–	153,572	–
Accrued interest expense(i)	–	–	22,285	–	22,285	–
Gain on forgiveness of debt (Note 4.b.i)	–	–	(30,060)	–	(30,060)	–
Issue of Zero CB (Note 4.b.ii)	–	–	(116,873)	116,873	–	–
Issue of 4% CB (Note 4.b.iii)	–	–	(57,127)	57,127	–	–
Share Sale (Notes 4 and 26)	86,873	–	–	(86,873)	–	–
Inception of finance lease contracts	–	775	–	–	775	–
Net cash outflow from financing	–	(4,009)	(7,928)	–	(11,937)	(1,655)
End of year	368,922	8,214	175,631	87,127	639,894	501,357

(i) The accrued interest expense of HK$22,285,000 and bank overdrafts and import loans of HK$153,572,000 formed part of the residual indebtedness of the Group of HK$337,041,000 as described in Note 4(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 HK$775,000 (2000 – Nil).

(ii) On 10th November, 2000, the Group entered into a legally binding DRD with the Bank Group to restructure the outstanding bank indebtedness of the Group, details of which are set out in Note 4. The debt restructuring resulted in the conversion of certain amounts of indebtedness into Zero CB, 4% CB and shares of the Company as described in Note 4.

30. CONTINGENT LIABILITIES

As at 31st March, 2001, the Company had given guarantees to banks in connection with facilities granted to its subsidiaries.

31. COMMITMENTS

(a) Capital commitments

	Group 2001 HK$'000	2000 HK$'000 (Note 37)
Authorised and contracted for:		
Purchases of land and buildings, and plant and machinery	825	2,941
Authorised but not contracted for:		
Purchases of plant and machinery	1,761	–
	2,586	2,941

The Company had no capital commitments at 31st March, 2001 (2000 – Nil).

(b) Operating commitments

Operating lease commitments at 31st March, 2001 amounted to HK$4.7 million (2000 – HK$8.5 million) of which HK$3,793,000 (2000 – HK$4,464,000) is payable within the next twelve months. The amount payable within the next twelve months, analysed according to the period in which the lease expires, is as follows:

	Group 2001 HK$'000	2000 HK$'000 (Note 37)
Land and buildings expiring:		
Within one year	2,159	555
In the second to fifth years, inclusive	1,634	3,909
	3,793	4,464

The Company did not have any significant lease commitments at 31st March, 2001 (2000 – Nil).

32. BANKING FACILITIES

As at 31st March, 2001, the Group had aggregate banking facilities of approximately HK$40,000,000 (2000 – HK$20,000,000) for overdrafts and export trade financing. Unused facilities as at the same date amounted to approximately HK$19,900,000 (2000 – HK$16,500,000). These facilities were secured by the following:

(a) Corporate guarantees given by the Company together with its three wholly-owned subsidiaries in favour of a bank for general banking facilities granted to the Group;

(b) Restricted bank deposits of approximately HK$41,029,000 (2000 – HK$40,156,000) held by the security agent of the Bank Group. The Group is restricted from using these bank deposits unless prior approval is obtained from the Bank Group. The deposits earn interest at 4.9% – 6.5% per annum and the interest earned thereon is not subject to restriction.

33. PENSION SCHEME ARRANGEMENTS

Since 1st December, 2000, the Group has arranged for its employees in Hong Kong to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The MPF Scheme was introduced pursuant to the Mandatory Provident Fund legislation introduced during the year. Under the MPF Scheme, the Group and each of the employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a cap of monthly earnings of HK$20,000. For those employees with monthly earnings less than HK$4,000, the employees' contributions are voluntary.

During the year, the aggregate amount of employer's contribution made by the Group to the MPF Scheme was approximately HK$182,000.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st March, 2001 were as follows:

Name	Place of incorporation/ registration	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Magician Investments (BVI) Limited	British Virgin Islands	US$6 ordinary	100%	Investment holding
Treasure Trend Development Limited	British Virgin Islands	US$1 ordinary	100%	Investment holding
Indirectly held				
Diyon Development Limited	Hong Kong	HK$3 ordinary	100%	Purchasing of paper, plastic and metal materials and products
Magicgrand Development Limited	British Virgin Islands	US$1 ordinary	100%	Trading of plastic and metal products
Magician Industrial Company Limited	Hong Kong	HK$5 ordinary	100%	Marketing and trading of plastic and metal products
Jinda Plastic Metal Products (Shenzhen) Co. Ltd.	People's Republic of China	HK$180,000,000 registered capital	100%	Manufacturing and trading of plastic and metal products
More Concept Limited	Hong Kong	HK$3 ordinary	100%	Marketing and trading of plastic and metal products
Nicole (China) Company Limited	Hong Kong	HK$2 ordinary	100%	Marketing and trading of plastic and metal products
Grandmate Industrial Company Limited	Hong Kong	HK$251,000 ordinary	100%	Marketing and trading of plastic and metal products
Hopeward Holdings Limited	British Virgin Islands	US$1 ordinary	100%	Property holding
Falton Investment Limited	Hong Kong	HK$2 ordinary	100%	Property holding
Fore-Tech Moulding Engineering Company Limited	Hong Kong	HK$9,999 ordinary	67%	Dormant

Except for Magicgrand Development Limited and Jinda Plastic Metal Products (Shenzhen) Co. Ltd., all of the above subsidiaries principally operate in Hong Kong.

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

35. DISCONTINUED OPERATIONS IN 2000

On 1st September, 1999, the Group entered into a conditional agreement with an independent third party in relation to the disposal of Great East Packaging Holdings Limited and its subsidiaries (collectively referred to as the "GEP Group") for cash consideration of HK$50,000,000. The principal activities of the GEP Group consisted of the manufacturing and trading of plastic packaging materials and related products in Mainland China. The transaction was duly completed on 30th November, 1999. The results of operations of the GEP Group prior to its disposal are presented as "Discontinued operations" in the comparative amounts as shown in the financial statements.

As further described in Note 37, there were uncertainties relating to the financial information of the discontinued operations affecting the consolidated financial statements for the year ended 31st March, 2000. However, these uncertainties do not affect the current year's financial position or results.

36. INVESTIGATION OF POSSIBLE MISFEASANCE

A board committee (the "Review Committee") was set up on 31st July, 2000, comprising three independent non-executive directors of the Company, to consider certain matters of alleged misfeasance (the "Matters") relating to the management and administration of the Group.

On 17th December, 1999, the directors received a report (the "Report") prepared by a law firm acting on behalf of the three institutional shareholders of the Company (the "Institutional Shareholders") then beneficially holding approximately 24.6%, 6.9% and 7.9%, respectively, of the Company's shares. According to the Report, the Matters were alleged to have been perpetrated by various employees within the Group including certain former senior management, and existing and former executive directors, and were characterised as follows:

(a) The Letter of Credit Transactions

(b) The Windsor Trading Transactions

(c) The Revon Transactions

(d) The Great East Transactions

(e) Use of Corporate Credit Cards and Corporate Expenses

(f) The Write-Off/Down of Certain Debts/Assets

On 23rd December, 1999, a writ was issued in the High Court of the Hong Kong Special Administrative Region by the Institutional Shareholders against five executive directors of the Company (collectively referred to as the "Defendants"), and the Company. Pursuant to the writ, the Defendants were being sued for damages for the alleged breach of fiduciary duty, negligence and breach of trust. In addition, out of the Defendants, two executive directors were further claimed against for fraud. On 12th January, 2000, a settlement agreement was reached amongst each of the Defendants and the Institutional Shareholders, whereby the Institutional Shareholders agreed to irrevocably release and discharge the Defendants from any and all of the claims and potential claims against any and all of the Defendants arising out of or in connection with the Matters or substantially the same matters referred to in the Report. As a result of the settlement agreement, an order was made by the High Court on the same day that the legal proceedings in the High Court initiated by the writ had been discontinued. Four out of the five Defendants resigned as executive directors of the Company on 12th January, 2000.

The Review Committee subsequently appointed an independent firm of certified public accountants other than Arthur Andersen & Co (the "Investigating Auditors") to undertake an independent investigation into and report on each of the Matters and the related allegations made in the Report.

In early October 2000, the Investigating Auditors submitted their investigation report to the Review Committee. After reviews and discussions, the Review Committee adopted the Investigating Auditors' conclusion and recommendations. Based on the findings as set out in the investigation report and that of the Review Committee, the directors considered that most of the Matters have no significant impact on the prior year's financial statements as previously reported.

36. INVESTIGATION OF POSSIBLE MISFEASANCE (continued)

However, the Investigating Auditors concluded that they could not obtain explanations of queries raised concerning the "Letter of Credit Transactions" when finalising the Investigation Report. Furthermore, the Review Committee accepted the results of the Investigating Auditors that the allegations regarding certain of the existing and former executive directors in the "Windsor Trading Transactions" prima facie could not be proven. For the year ended 31st March, 2000, the Group purchased goods from Windsor worth approximately HK$26,000,000.

Notwithstanding their own additional efforts, the directors are unable to determine whether the classification of the costs of transactions in the 2000 income statement is appropriate and the extent of any additional disclosure that may be required in respect of the nature and amounts involved through the use of invoice financing and letters of credit; and whether any additional disclosures of related party transactions may be required in the financial statements in respect of the "Windsor Trading Transactions". In any event, the Review Committee recommended the directors to implement various internal control measures suggested by the Investigating Auditors.

Each of the Matters and the allegations in the Report, together with the results of the investigation undertaken by the Investigating Auditors were announced by the Company on 19th October, 2000 and extracts of the announcement are set out below.

(a) The Letter of Credit Transactions

The Report alleged that, in order to ease the Group's cash flow problems, certain existing and former executive directors were aware of and, indeed, instigated fraudulent letters of credit ("L/C") transactions where, in fact, no goods were to be supplied or the price purported to be paid for the goods was substantially in excess of the real purchase price.

The Investigating Auditors concluded that they could not obtain responses to their queries nor did they have sufficient evidence to substantiate the allegations.

(b) The Windsor Trading Transactions

The Report alleged that the purchases from Windsor Trading Limited ("Windsor"), which was formerly the sole sourcing agent of certain materials of the Group, were undisclosed connected transactions for the Company since certain existing and/or former executive directors were beneficially interested in Windsor. In addition, the price paid by the Group for goods purchased from Windsor was excessive such that it may be reasonably inferred that secret profits were made by the existing and/or former executive directors through Windsor.

The Investigating Auditors concluded that the allegation that the existing and/or former executive directors were beneficially interested in Windsor could not be substantiated. The Company has obtained a written declaration from the directors concerned that neither they nor their associates had any direct or indirect interest in Windsor.

The Investigating Auditors also concluded that they could not substantiate the allegations that the price paid by the Group for goods purchased from Windsor (whether acting as sourcing agent of the Group or as supplier itself) was excessive and that secret profits were made by the existing and/or former executive directors through Windsor.

(c) The Revon Transactions

The Report alleged that certain key members of staff of the Group set up Revon International Limited ("Revon") for the purposes of making secret profits.

The Investigating Auditors found that neither the shareholders nor the directors of Revon were staff of the Group. Consequently, the aforesaid allegations could not be substantiated. The Company has obtained a written declaration from the directors concerned that neither they nor their associates had any direct or indirect interest in Revon.

(d) The Great East Transactions

The Report alleged that Great East Packaging Holdings Limited ("GEP"), a former 54% owned subsidiary of the Group, paid HK$4.5 million consultants fees in total to a senior management personnel (the "Senior Personnel") of GEP and Max Motion Limited ("Max"), which was beneficially owned by the Senior Personnel, upon the request of an existing executive director. In addition, Max in turn paid HK$1.5 million out of the aforesaid consultants fees it had received (totalling HK$3.5 million) to the existing executive director for him to settle his personal liquidity problem.

36. INVESTIGATION OF POSSIBLE MISFEASANCE (continued)

(d) The Great East Transactions (continued)

It was found by the Investigating Auditors that Max was a company incorporated in the British Virgin Islands with only one bearer share in issue, and that its director was not the Senior Personnel. However, the Investigating Auditors could not verify whether Max was beneficially owned by the Senior Personnel who is no longer with the Group as a result of the disposal of GEP by the Company in November 1999. The Company has obtained a written declaration from the existing executive director that neither he nor his associates have any direct or indirect interest in Max and neither he nor his associates have received the aforementioned HK$1.5 million as alleged in the Report.

The Review Committee took into consideration that GEP had already been sold by the Group in November 1999 and the aforesaid incident no longer has any bearing on the financial statements of the Group.

(e) Use of Corporate Credit Cards and Corporate Expenses

The Report alleged that during the year ended 31st March, 1999, two former directors and an existing director charged HK$1.7 million to their corporate credit cards and HK$1.65 million in purported business expenses to the Group. These directors were suspected to have misused corporate funds to settle personal expenses.

The Investigating Auditors found that corporate credit card expenses incurred by these directors for the year ended 31st March, 1999 were only HK$143,279. These directors also charged to the Group their personal credit card expenses amounting to HK$1,468,715. In total, the credit card expenses charged by these directors to the Group amounted to HK$1,611,994, which was substantially less than the HK$3.35 million (i.e. HK$1.7 million corporate credit card expenses plus HK$1.65 million in purported business expenses) alleged in the Report.

In response to the enquiries made by the Investigating Auditors, these directors confirmed that, except for an amount of HK$9,674, all the amounts claimed during the period under investigation were incurred in the ordinary course of business for the sole benefit of the Group. However, no records showing the reasons for incurring such expenses have been kept by them. The Review Committee considered that the balance of the expenses claimed by these directors represented a reasonable level of business expenses as compared to the turnover of the Group amounting to approximately HK$1,090 million for the period under review from April 1998 to December 1999. The directors concurred with the view of the Review Committee and an existing executive director has undertaken to reimburse the Company for the HK$9,674 overpaid.

(f) The Write-Off/Down of Certain Debts/Assets

The Report alleged that the net asset value of the Group was artificially inflated by fraudulently overstating the receivables of the Group. Specifically, for the year ended 31st March, 1999, there were write-offs of certain significant debts and write-downs of assets totalling approximately HK$7.1 million which should have taken place in earlier years.

It was found by the Investigating Auditors that the net impact of the transactions as mentioned in the Report on the Group's net asset value was not HK$7.1 million, but HK$5.5 million, being HK$3 million for the year ended 31st March, 1998 and HK$2.5 million for the year ended 31st March, 1999. The overstatements only represented 0.6% and 0.9% of the net asset value of the Group as at the respective financial year ends. In view of the insignificant amount involved, the allegation that such overstatements were made for the purpose of distorting the overall financial position of the Group was considered unfounded.

37. COMPARATIVE FIGURES

Certain of the 2000 comparative figures have been reclassified to conform to the current year's presentation.

The financial statements as at and for the year ended 31st March, 2000 were audited and reported on by certified public accountants other than Arthur Andersen & Co, whose report dated 31st October, 2000 was qualified in respect of possible material misclassifications of the consolidated financial statements due to scope limitations on the investigation of possible misfeasance (as described in Note 36 above) and on the financial information for the discontinued operations (as described in Note 35 above), details of which are shown in the Group's 2000 Annual Report. As a result, there are possible misclassifications of the 2000 comparative amounts as shown in the consolidated financial statements. No adjustments have been made in the current year in respect of the 2000 comparative figures which are stated at their previously reported amounts.