

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

1. COMPANY ORGANISATION AND OPERATIONS

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Pursuant to a special resolution passed on 28 July 2000, the Company changed its name from “Hong Kong Toy Centre International Limited” to “Goldwiz Holdings Limited” with effect from 2 August 2000.

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) manufacturing and trading of toy products until December 2000, (ii) property development until December 2000; (iii) property investment, (iv) strategic investments in design, development and production of automotion and control system business and broadband network system business.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in the light of its net current liabilities of approximately HK\$112 million at 31 March 2001. After taking into account the expected cash flows for the ensuing year and the financial support agreed to be provided by a major shareholder, the directors arrived at the opinion that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations 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. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of measurement

The financial statements have been prepared on historical cost basis.

(c) Basis of consolidation

- (i) The consolidated financial statements include the financial statements of the Company and its subsidiaries, other than Asina Manufacturing Company Limited (“Asina”) (see note 19), made up to 31 March each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or up to their effective dates of acquisition or disposal, as appropriate. All material intercompany transactions and balances within the Group are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of consolidation (Continued)

- (ii) Goodwill arising on the acquisition of subsidiaries, being the excess of the cost of investments in these companies over the fair value of the Group's share of the separable net assets acquired, is amortised on a straight-line basis to the income statement over its estimated useful economic life. The excess of the Group's share of the fair value of the separable net assets of subsidiaries acquired over the cost is credited to capital reserve.

On disposal of a subsidiary during the year, any attributable amount of purchased goodwill not previously amortised through the income statement or which has previously been dealt with as a movement on the Group's reserves is included in the calculation of the gain or loss on disposal.

(d) Investments in subsidiaries

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

Investments in subsidiaries in the Company's balance sheet are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the income statement. The results of the subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

(e) Associates

An associate is a company in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Unless the interest in the associate is acquired and held exclusively with a view to subsequent disposal in the near future, an investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year. Goodwill arising on the acquisition of an associate, being the excess of the cost over the fair value of the Group's share of the separable net assets acquired, is amortized on a straight-line basis to the income statement over its estimated useful economic life. The excess of the Group's share of the fair value of the separable net assets acquired over the cost of the investment is credited directly to capital reserve.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates (Continued)

On disposal of an associate during the year, any attributable amount of purchased goodwill not previously amortised through the income statement or which has previously been dealt with as a movement on the Group's reserves is included in the calculation of the gain or loss on disposal.

(f) Other investments in securities

The Group's policies for investments in securities other than investments in subsidiaries and associates are as follows:

- (i) Investments held on a continuing basis for an identified long-term purpose are classified as "investment securities". Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the income statement, such provisions being determined for each investment individually.
- (ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (iii) Gains or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

(g) Property plant and equipment

- (i) Property, plant and equipment are carried in the balance sheet on the following bases:
 - investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at cost.
 - moulds under construction are stated in the balance sheet at cost. Cost includes the raw materials cost, labour and an appropriate proportion of overhead costs. Cost on completed moulds are transferred to moulds and loose tools.
 - other property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property plant and equipment (Continued)

- (ii) The carrying amount of property, plant and equipment, other than investment properties with an unexpired lease term of more than 20 years, is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the income statement. In determining the recoverable amount, expected future cash flows generated by the property, plant and equipment are not discounted to their present values.

When the circumstances and events that led to the write-down or write-off cease to exist, any subsequent increase in the recoverable amount of an asset is written back to the income statement. The amount written back is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

- (iii) Major expenditures on modifications and betterments of property, plant and equipment which will result in future economic benefit are capitalised, while expenditures on repairs and maintenance are expensed when incurred.
- (iv) Gains or losses arising from the retirement or disposal of an asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

(h) Amortisation and depreciation

- (i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years.
- (ii) No depreciation is provided on moulds under construction until the completion of construction.
- (iii) Depreciation is provided on a straight-line basis to write off the cost of other property, plant and equipment over their estimated useful lives. The annual rates of depreciation are as follows:

Land and buildings	Over the remaining unexpired term of the leases or fifty years, whichever is the shorter
Leasehold improvements	Over the remaining unexpired term of the leases or ten years, whichever is the shorter
Furniture, fixtures and equipment	10% — 25%
Motor vehicles	25%
Moulds and loose tools	10% — 25%
Plant and machinery	10%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets

Where assets are acquired under finance leases, the amounts representing the outright purchase price, which approximate the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the shorter of the period of the leases or the estimated useful lives of the assets as set out in note 3(h)(iii) above. Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(j) Trademark

Trademark is stated at cost less accumulated amortisation. The cost of trademark is amortised on straight-line basis over a period of ten years.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method of accounting and includes costs of purchase and where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

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 in which the write-down or loss occurs. The amount of any reversal of write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction of expense in the period in which the reversal occurs.

(l) Revenue recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised in the income statement as follows:

(i) Sales revenue

Sales revenue is recognised when merchandise is delivered and title has passed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Revenue recognition (Continued)

(ii) Interest income

Interest income is accrued on a time-apportioned basis on the principal outstanding and at the interest rate applicable.

(m) Deferred taxation

Deferred taxation is provided under the liability method in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except when it is considered that no liability will arise in the foreseeable future. Deferred tax assets are not recognised unless the related benefits are expected to crystallise in the foreseeable future.

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results of subsidiaries outside Hong Kong translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The exchange differences are dealt with as a movement in reserves.

(o) Operating leases

Rentals payable under operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective leases.

(p) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Retirement costs

Before December 2000, the Group operated a defined contribution retirement benefits scheme for those employees who were eligible to participate in the scheme. The assets of the scheme were held separately from those of the Group in an independently administered fund. Contributions were made based on a percentage of the participating employees' basic salaries and were charged to the income statement as they become payable in accordance with the rules of the scheme. When an employee left the scheme prior to his/her interest in the employer's contributions becoming fully vested, the amount was forfeited and recognised to the income statement when refunded. This scheme ceased on 30 November 2000. On and after 1 December 2000, the Group participates in a master trust scheme provided by an independent Mandatory Provident Fund service provider to comply with the requirements under the Mandatory Provident Fund Scheme Ordinance. Contributions paid and payable by the Group to the scheme are charged to the income statement.

(r) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(s) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(t) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfil the above criteria.

4. TURNOVER

Turnover represents the net invoiced value of merchandise sold after allowances for returns and discounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

5. SEGMENTAL INFORMATION

The analysis of principal activities of the operations of the Company and its subsidiaries during the financial year are as follows:

	Turnover		Contribution to profit/(loss) from operations	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
<i>Continuing operations</i>				
Property investment	—	—	(28,005)	—
Strategic investment	—	—	8,716	—
	<u>—</u>	<u>—</u>	<u>(19,289)</u>	<u>—</u>
<i>Discontinued operations (note)</i>				
Manufacturing and sales of toys and sundry items	37,757,524	222,139,004	(138,195,971)	(112,539,219)
Property development	—	—	(691,861)	(12,893,770)
	<u>37,757,524</u>	<u>222,139,004</u>	<u>(138,887,832)</u>	<u>(125,432,989)</u>
	<u>37,757,524</u>	<u>222,139,004</u>	<u>(138,907,121)</u>	<u>(125,432,989)</u>
Head office and others			(4,128,180)	—
Interest income			192,486	1,282,677
			<u>(142,842,815)</u>	<u>(124,150,312)</u>

Note: The Company ceased its toy business and property development business in December 2000.

In view of the fact that the Group operates mainly in the People's Republic of China ("PRC") and Hong Kong, no geographical segmental information is presented.

6. OTHER REVENUE

	2001	2000
	HK\$	HK\$
Interest income	192,486	1,282,677
Rental income	—	36,294
Net exchange gain	176,112	276,403
Others	5,746,405	9,000,575
	<u>6,115,003</u>	<u>10,595,949</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

7. LOSS FROM OPERATIONS

Loss from operations is arrived at after crediting and charging the following items:

	2001 HK\$	2000 HK\$
Crediting:		
Interest income	192,486	1,282,677
Net exchange gain	<u>176,112</u>	<u>276,403</u>
Charging:		
Cost of inventories	67,589,706	228,381,114
Directors' remuneration (note 11)	274,000	1,898,572
Other staff salaries and allowances	9,925,510	46,140,027
Retirement costs	167,705	520,506
Redundancy payments	<u>2,791,901</u>	<u>2,774,978</u>
Total staff costs	13,159,116	51,334,083
Auditors' remuneration		
— current year	295,235	948,372
— over-provision in prior years	(530,919)	—
Depreciation of property, plant and equipment		
— owned assets	29,507,218	40,612,423
— assets held under finance leases	617,776	1,605,375
Provision for impairment of property, plant and equipment	68,447,899	35,088,156
Loss on disposal of property, plant and equipment	27,835,853	6,999,464
Amortisation of trademark	48,839	48,839
Provision for impairment of trademark	29,666	—
Research and development costs	—	2,479,073
Operating lease rentals in respect of rented premises	3,668,873	15,087,292
Preliminary expenses	<u>32,600</u>	<u>—</u>

Included in the cost of inventories are the following:

	2001 HK\$	2000 HK\$
Provision for properties held for sale	—	13,342,164
Inventories written off	<u>340,894</u>	<u>—</u>
	<u>340,894</u>	<u>13,342,164</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

8. NON-OPERATING EXPENSES, NET

	2001 HK\$	2000 HK\$
Loss on deemed disposal of an associate	12,733,000	—
Gain on disposal of an associate	(310,985)	—
Loss on disposal of a subsidiary not consolidated	53,624	—
Loss on disposal of subsidiaries	161,478	—
	<u>12,637,117</u>	<u>—</u>

9. FINANCE COSTS

	2001 HK\$	2000 HK\$
Interest on bank borrowings wholly repayable within five years	2,472,947	6,172,859
Interest on amount due to former ultimate parent enterprise	—	1,228,445
Interest on amount due to a major shareholder	3,833,144	382,592
Finance charges on obligations under finance leases	67,552	392,365
	<u>6,373,643</u>	<u>8,176,261</u>

10. TAXATION

(a) Taxation in the consolidated income statement represents:

	2001 HK\$	2000 HK\$
Hong Kong profits tax	—	—
Additional tax provision attributable to a subsidiary	—	5,000,000
Deferred taxation (note 28)	(698,000)	(4,000,000)
	<u>(698,000)</u>	<u>1,000,000</u>

No provision for Hong Kong profits tax has been made in the financial statements as the Group has no estimated assessable profits derived in Hong Kong for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

10. TAXATION (Continued)

- (a) Taxation in the consolidated income statement represents: (Continued)

In the previous years, the Inland Revenue Department issued additional tax assessments for a total amount of approximately HK\$10 million to a subsidiary of the Company. Such assessments related to the off-shore claim of certain non-Hong Kong sourced income from the years of assessment 1990/91 to 1996/97. After taking consideration of a professional advice, the directors objected to the assessments. However, for the sake of prudence, the directors determined to fully provide this tax liability by making a further provision of HK\$5 million for the year ended 31 March 2000.

- (b) Tax payable in the consolidated balance sheet represents provision for taxation in the previous years.

11. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2001 HK\$	2000 HK\$
Fees for executive directors	—	—
Fees for independent non-executive directors	—	174,822
Other emoluments for executive directors:		
— salaries and other benefits	274,000	753,750
Other emoluments for non-executive directors:		
— salaries and other benefits	—	970,000
	<u>274,000</u>	<u>1,898,572</u>

The remuneration of the directors is within the following bands:

	Number of directors	
	2001	2000
Nil — HK\$1,000,000	14	14
HK\$1,000,001 — HK\$1,500,000	—	1
	<u>14</u>	<u>15</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2000: one) is the director whose emoluments are disclosed in note 11. The aggregate of the emoluments in respect of the other four (2000: four) individuals are as follows:

	2001 HK\$	2000 HK\$
Salaries and other emoluments	1,212,868	2,894,567
Retirement scheme contributions	31,750	89,431
	<u>1,244,618</u>	<u>2,983,998</u>

The emoluments of the four (2000: four) individuals with the highest emoluments are within the HK\$1,000,000 band.

13. NET LOSS FOR THE YEAR

The net loss of the Group for the year includes a net loss of HK\$147,623,049 (2000: HK\$136,698,611) which has been dealt with in the financial statements of the Company.

14. LOSS PER SHARE

(a) Basic loss per share

The calculation of loss per share is based on the loss for the year of HK\$151,556,575 (2000: HK\$134,707,916) and on the weighted average of 510,820,345 shares (2000: 365,157,333 shares) in issue during the year.

(b) Diluted loss per share

No diluted loss per share has been compiled and presented for the two years ended 31 March 2001 and 2000 because there were no dilutive potential shares in existence during the years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

15. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Investment property HK\$	Land and buildings HK\$	Leasehold improvements HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Moulds and loose tools HK\$	Plant and machinery HK\$	Moulds under construction HK\$	Total HK\$
Cost									
At 1 April 2000	—	35,778,456	43,413,587	34,014,126	10,731,935	179,615,586	128,651,827	15,089,664	447,295,181
Additions	31,550,000	—	120,963	560,278	560,000	140,140	—	—	32,931,381
Disposals	—	(9,543,523)	(7,288,486)	(25,477,121)	(1,024,702)	(7,000,000)	(5,423,934)	(15,089,664)	(70,847,430)
Disposals of subsidiaries	—	—	—	—	(560,000)	—	—	—	(560,000)
At 31 March 2001	<u>31,550,000</u>	<u>26,234,933</u>	<u>36,246,064</u>	<u>9,097,283</u>	<u>9,707,233</u>	<u>172,755,726</u>	<u>123,227,893</u>	<u>—</u>	<u>408,819,132</u>
Aggregate amortisation and depreciation									
At 1 April 2000	—	4,245,653	26,396,799	22,918,086	10,405,386	151,192,165	85,162,809	—	300,320,898
Provision for impairment	—	22,540,206	8,329,709	1,033,261	23,075	16,614,253	19,907,395	—	68,447,899
Charge for the year	—	474,351	3,787,448	1,612,628	181,106	11,949,308	12,120,153	—	30,124,994
Written back on disposals	—	(2,225,277)	(5,145,533)	(18,057,263)	(1,024,702)	(7,000,000)	(3,555,056)	—	(37,007,831)
Written back on disposals of subsidiaries	—	—	—	—	(37,333)	—	—	—	(37,333)
At 31 March 2001	<u>—</u>	<u>25,034,933</u>	<u>33,368,423</u>	<u>7,506,712</u>	<u>9,547,532</u>	<u>172,755,726</u>	<u>113,635,301</u>	<u>—</u>	<u>361,848,627</u>
Net book values									
At 31 March 2001	<u>31,550,000</u>	<u>1,200,000</u>	<u>2,877,641</u>	<u>1,590,571</u>	<u>159,701</u>	<u>—</u>	<u>9,592,592</u>	<u>—</u>	<u>46,970,505</u>
At 31 March 2000	<u>—</u>	<u>31,532,803</u>	<u>17,016,788</u>	<u>11,096,040</u>	<u>326,549</u>	<u>28,423,421</u>	<u>43,489,018</u>	<u>15,089,664</u>	<u>146,974,283</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (b) The analysis of the net book value of the Group's properties is as follows:

	The Group	
	2001	2000
	HK\$	HK\$
Land and buildings held under medium-term leases:		
— in Hong Kong	1,200,000	6,602,547
— outside Hong Kong	—	24,930,257
	<u>1,200,000</u>	<u>31,532,804</u>
Investment property held outside Hong Kong under medium-term leases	<u>31,550,000</u>	<u>—</u>
	<u><u>32,750,000</u></u>	<u><u>31,532,804</u></u>

- (c) At 31 March 2001, certificate of ownership in respect of investment property located in the PRC had not been issued by the relevant authorities. The directors anticipate that such certificates will be issued in due course.
- (d) The net book values of property, plant and equipment of the Group at 31 March 2001 held under finance leases are as follows:

	The Group	
	2001	2000
	HK\$	HK\$
Plant and machinery	—	3,788,485
Furniture, fixtures and equipment	1,000,000	2,007,068
Motor vehicles	—	107,966
	<u>1,000,000</u>	<u>5,903,519</u>

- (e) At 31 March 2001, the Group pledged its land and buildings with an aggregate carrying amount of HK\$1,200,000 (2000: HK\$7,012,547) to banks to secure banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2001	2000
	HK\$	HK\$
Unlisted shares, at cost	1,580	96,323,953
Less: Provision for permanent diminution in value	—	(93,550,971)
	<u>1,580</u>	<u>2,772,982</u>

The carrying value of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the parent enterprise of the Group pursuant to the Group reorganisation in 1990.

Details of the Company's principal subsidiaries are set out in note 38.

17. MORTGAGE LOANS RECEIVABLE

	The Group	
	2001	2000
	HK\$	HK\$
Amount due within one year included under current assets (note 23)	—	10,699,445
Amount due after one year	—	5,529,476
	<u>—</u>	<u>16,228,921</u>

In last year, the mortgage loans receivable were made to independent third parties in respect of the sale of properties by the jointly controlled operations of the Group and represented the present value of the outstanding instalments receivable discounted by the imputed rate of interest. The mortgage loans receivable were non-interest bearing and secured by properties situated in the PRC held by these independent third parties. During the year, the Group has disposed of its property development business.

18. INTEREST IN AN ASSOCIATE

	The Group	
	2001	2000
	HK\$	HK\$
Share of net assets	<u>—</u>	<u>4,054</u>

NOTES TO THE FINANCIAL STATEMENTS

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19. INTEREST IN A SUBSIDIARY NOT CONSOLIDATED

	The Group	
	2001	2000
	HK\$	HK\$
Share of net assets	<u>—</u>	<u>2,000,221</u>

At 31 March 2000, a subsidiary of the Company held a 51% equity interest in the issued ordinary share capital of Asina. However, the subsidiary did not have effective control over Asina as there were restrictions imposed on the ability of the subsidiary to appoint a majority of the board of directors of Asina. Accordingly, Asina was considered as a subsidiary not consolidated for accounting purposes and the interest in Asina was reported in the consolidated financial statements under the equity method of accounting for the year ended 31 March 2000.

During the year, the Group has disposal of its entire 51% interest in this subsidiary.

20. TRADEMARK

	The Group		The Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Cost				
At beginning of the year	488,393	488,393	—	488,393
Amortisation				
At beginning of the year	109,888	61,049	—	61,049
Amortised for the year	48,839	48,839	—	48,839
Provision for impairment	29,666	—	—	—
	<u>188,393</u>	<u>109,888</u>	<u>—</u>	<u>109,888</u>
At end of the year	188,393	109,888	—	109,888
Net book value				
At end of the year	<u>300,000</u>	<u>378,505</u>	<u>—</u>	<u>378,505</u>

The amount represents the trademark of "Playwell".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

21. OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	
	2001	2000
	HK\$	HK\$
Investment securities		
Equity securities listed in Hong Kong, at cost	86,866,000	—
Unlisted equity securities		
Investment, at cost	86,694,089	—
Loan to the investee company	<u>2,305,911</u>	<u>—</u>
	<u>89,000,000</u>	<u>—</u>
	<u><u>175,866,000</u></u>	<u><u>—</u></u>
Market value of listed securities	<u><u>30,602,880</u></u>	<u><u>—</u></u>

- (a) The loan is unsecured, non-interest bearing and has no fixed terms of repayment.
- (b) The underlying value of investment securities is, in the opinion of the Company's directors, not less than the carrying amount as at 31 March 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

21. OTHER NON-CURRENT FINANCIAL ASSETS (Continued)

- (c) At 31 March 2001, the carrying amount of investments in securities which exceeded 10% of total assets of the Company are as follows:

Name	Place of incorporation	Particulars of issued or registered capital	Proportion of ownership interest held indirectly by the Company	Principal activities
Techwayson Holdings Limited (note i)	Cayman Islands	350,000,000 shares of HK\$0.10 each	17.66%	Investment holding
Techwayson Industrial Limited (note ii)	PRC	HK\$10,000,000	17.66%	Research, design, integration and supply of automation and control systems
Smart Idea Enterprises Limited (note iii)	British Virgin Island	50,000 shares of US\$1 each	23%	Investment holding
Broadlink Technology Limited (note iii)	PRC	HK\$10,000,000	23%	Design, development and construction of Hybrid Fiber Coax Systems and related equipment for cable network operators in the PRC

Notes:

- (i) Techwayson Holdings Limited ("THL") is listed on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited ("GEM").
- (ii) Techwayson Industrial Limited ("Techwayson") is a wholly owned subsidiary of THL. In June 2000, the Group acquired a 22.08% effective interest in Techwayson at a consideration of HK\$90 million. Since acquisition, the investment in Techwayson, through equity accounting, contributed a profit of approximately HK\$9.6 million to the Group prior to its being re-organised and listed on GEM through THL on 8 February 2001. After being listed, the Group's effective interest of 22.08% in Techwayson became 17.66% in THL, which indirectly owns 100% effective interest in Techwayson, and the status of this investment has been reclassified from an associate to investment securities. This classification resulted in a book loss of approximately HK\$12.7 million in the financial statements for the year.
- (iii) Broadlink Technology Limited is a wholly owned subsidiary of Smart Idea Enterprises Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

22. INVENTORIES

	The Group	
	2001	2000
	HK\$	HK\$
Raw materials	—	18,411,552
Work in progress	—	9,864,041
Finished goods	—	13,826,139
	<u>—</u>	<u>42,101,732</u>

At 31 March 2000, included in raw materials, work in progress and finished goods are inventories of HK\$14,753,187, HK\$9,864,041 and HK\$7,482,085 respectively, stated net of a provision, made in order to state these inventories at the lower of their costs and estimated net realisable value.

23. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Due from subsidiaries	—	—	128,260,995	100,667,472
Trade receivables	—	9,067,988	—	—
Current portion of mortgage loans receivable (note 17)	—	10,699,445	—	—
Deposits, prepayment and other receivables	<u>2,125,892</u>	<u>4,373,275</u>	<u>9,423</u>	<u>—</u>
	<u>2,125,892</u>	<u>24,140,708</u>	<u>128,270,418</u>	<u>100,667,472</u>

All of the trade and other receivables are expected to be recovered within one year except for deposits of HK\$458,290 which are expected to be recovered after more than one year.

The aging analysis of the Group's trade receivables is as follows:

	The Group	
	2001	2000
	HK\$	HK\$
Current	—	4,534,521
1 month to 3 months overdue	—	3,850,853
More than 3 months but less than 12 months overdue	—	498,226
More than 12 months overdue	—	184,388
	<u>—</u>	<u>9,067,988</u>

Debts are usually due within 30 days from the date of billing.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Bills payable	58,128	3,648,905	—	—
Trade payables	—	6,862,731	—	—
Accruals and other payables	105,348,420	42,873,666	11,013,669	869,716
Due to a subsidiary not consolidated	—	1,824,870	—	—
Due to subsidiaries	—	—	6,790,938	11,921,485
	<u>105,406,548</u>	<u>55,210,172</u>	<u>17,804,607</u>	<u>12,791,201</u>

All of the trade and other payables are expected to be settled within one year.

The aging analysis of the Group's trade payables is as follows:

	The Group	
	2001	2000
	HK\$	HK\$
Due within 1 month or on demand	—	5,292,026
1 month to 3 months overdue	—	666,845
More than 3 months but less than 12 months overdue	—	366,321
More than 12 months overdue	—	537,539
	<u>—</u>	<u>6,862,731</u>

25. OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2001, the Group had obligations under finance leases repayable as follows:

	The Group	
	2001	2000
	HK\$	HK\$
Within 1 year	56,891	1,731,784
Less: Amount due within 1 year shown under current liabilities	<u>(56,891)</u>	<u>(1,731,784)</u>
Amount due after 1 year	<u>—</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

26. BANK BORROWINGS

Bank borrowings consists of:

	The Group	
	2001	2000
	HK\$	HK\$
Bank overdrafts	4,653,999	18,397,329
Bank loans	609,000	26,922,225
Trust receipts and import loans	—	2,748,234
Mortgage loans	—	364,848
	<u>5,262,999</u>	<u>48,432,636</u>

At 31 March 2001, the bank borrowings were repayable as follows:

Within 1 year or on demand	5,262,999	48,125,064
After 1 year but within 2 years	—	63,588
After 2 year but within 5 years	—	243,984
	<u>5,262,999</u>	<u>48,432,636</u>
Less: Amount due within one year shown under current liabilities	<u>(5,262,999)</u>	<u>(48,125,064)</u>
Amount due after 1 year	<u>—</u>	<u>307,572</u>

At 31 March 2001, the bank borrowings were analysed as follows:

Secured	2,170,846	22,462,594
Unsecured	3,092,153	25,970,042
	<u>5,262,999</u>	<u>48,432,636</u>

Certain banking facilities of the Group are secured by mortgage on its land and buildings with an aggregate carrying amount of HK\$1,200,000 (2000: HK\$7,012,547).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

27. DUE TO A MAJOR SHAREHOLDER

The amount due to a major shareholder is unsecured and bears interest at 3% per annum over the Hong Kong prime lending rate quoted by Standard Chartered Bank. The major shareholder has agreed not to demand the Group for repayment until it is financially capable to do so.

28. DEFERRED TAXATION

(a) Movements on deferred taxation comprise:

	The Group	
	2001	2000
	HK\$	HK\$
Balance at beginning of the year	698,000	4,698,000
Movement for the year (note 10)	(698,000)	(4,000,000)
	<u>—</u>	<u>—</u>
Balance at end of the year	<u>—</u>	<u>698,000</u>

(b) Major components of deferred tax of the Group are set out below:

	Provided for		Potential (asset)/ liability unprovided for	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Depreciation of tax allowances in excess of related depreciation	—	698,000	998,000	6,462,000
Tax losses available to relieve against future assessable profits	<u>—</u>	<u>—</u>	<u>(33,615,550)</u>	<u>(14,876,000)</u>
	<u>—</u>	<u>698,000</u>	<u>(32,617,550)</u>	<u>(8,414,000)</u>

No provision for deferred taxation has been recognised in respect of timing differences as it is not expected that the potential deferred taxation asset and liability will crystallise in the foreseeable future, after taking into account the Group's medium-term financial plans and projections.

The Company had no material unprovided deferred taxation for the year or at 31 March 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

29. SHARE CAPITAL

	2001		2000	
	No. of shares	HK\$	No. of shares	HK\$
Authorised:				
Shares of \$0.10 each	<u>5,000,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>	<u>50,000,000</u>
Issued and fully paid:				
At 1st April	365,157,333	36,515,733	365,157,333	36,515,733
New shares issued	<u>244,000,000</u>	<u>24,400,000</u>	<u>—</u>	<u>—</u>
At 31st March	<u>609,157,333</u>	<u>60,915,733</u>	<u>365,157,333</u>	<u>36,515,733</u>

The following changes in the share capital of the Company took place during the year:

- (a) On 28 June 2000, the Company issued 73,000,000 new shares by way of placement to the independent investors at a price of HK\$0.5 per share. The net proceeds of approximately HK\$30 million and HK\$6 million were used as a partial consideration for the acquisition of 22.08% effective interest in Techwayson Industrial Limited and as general working capital.
- (b) By an ordinary resolution passed at the Company's extraordinary general meeting held on 28 July 2000, the Company's authorised share capital was increased to HK\$500 million by the creation of an additional 4,500 million ordinary shares of HK\$0.1 each, ranking pari passu in all respects with the existing shares of the Company.
- (c) On 1 September 2000, the Company issued 84,000,000 new shares at a price of HK\$0.68 per share as the remaining consideration for the acquisition of 22.08% effective interest in Techwayson Industrial Limited.
- (d) On 9 October 2000, the Company issued 87,000,000 new shares by way of placement to the independent investors at a price of HK\$0.4 per share. The net proceeds of approximately HK\$34.3 million were used for a consideration for the acquisition of an investment property and general working capital.
- (e) Subsequent to the balance sheet date on 23 April 2001 and 13 July 2001, the Company issued 100,000,000 new shares and 78,000,000 new shares respectively at a price of HK\$0.5 per share as total consideration for the acquisition of 23% effective interest in Broadlink Technology Limited.

There were no changes in the Company's authorised, issued and fully paid share capital during the year ended 31 March 2000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

30. RESERVES

	Share premium HK\$	Capital redemption reserve HK\$	Contributed surplus HK\$	Retained profits/ (accumulated losses) HK\$	Total HK\$
THE GROUP					
At 1 April 1999	102,011,284	68,600	—	91,378,237	193,458,121
Net loss for the year	—	—	—	(134,707,916)	(134,707,916)
At 31 March 2000 and 1 April 2000	102,011,284	68,600	—	(43,329,679)	58,750,205
Premium arising from issue of shares, net of expenses	103,106,641	—	—	—	103,106,641
Net loss for the year	—	—	—	(151,556,575)	(151,556,575)
At 31 March 2001	<u>205,117,925</u>	<u>68,600</u>	<u>—</u>	<u>(194,886,254)</u>	<u>10,300,271</u>
Attributable to:					
— The Company and consolidated subsidiaries	102,011,284	68,600	—	(41,970,804)	60,109,080
— Subsidiary not consolidated	—	—	—	(1,059,779)	(1,059,779)
— Associate	—	—	—	(299,096)	(299,096)
At 31 March 2000	<u>102,011,284</u>	<u>68,600</u>	<u>—</u>	<u>(43,329,679)</u>	<u>58,750,205</u>
Attributable to:					
— The Company and its subsidiaries	205,117,925	68,600	—	(194,886,254)	10,300,271
— Associate	—	—	—	—	—
At 31 March 2001	<u>205,117,925</u>	<u>68,600</u>	<u>—</u>	<u>(194,886,254)</u>	<u>10,300,271</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

30. RESERVES (Continued)

	Share premium HK\$	Capital redemption reserve HK\$	Contributed surplus HK\$	Retained profits/ (accumulated losses) HK\$	Total HK\$
THE COMPANY					
At 1 April 1999	102,011,284	68,600	61,323,953	27,811,673	191,215,510
Net loss for the year	—	—	—	(136,698,611)	(136,698,611)
At 31 March 2000 and 1 April 2000	102,011,284	68,600	61,323,953	(108,886,938)	54,516,899
Premium arising from issue of shares, net of expenses	103,106,641	—	—	—	103,106,641
Net loss for the year	—	—	—	(147,623,049)	(147,623,049)
At 31 March 2001	<u>205,117,925</u>	<u>68,600</u>	<u>61,323,953</u>	<u>(256,509,987)</u>	<u>10,000,491</u>

The contributed surplus of the Company represented the difference between the nominal value of the Company's shares issued in exchange for all the issued shares of Hong Kong Toy Centre (B.V.I.) Limited and net assets value of the underlying subsidiaries acquired as at 11 June 1990.

Under the company law in Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	HK\$	HK\$
Loss before taxation	(152,254,575)	(133,707,916)
Share of results of an associate	(9,599,000)	321,564
Share of results of a subsidiary not consolidated	—	1,059,779
Non-operating expenses, net	12,637,117	—
Provision for impairment of property, plant and equipment	68,447,899	35,088,156
Provision for impairment of trademark	29,666	—
Provision for properties held for sale	—	13,342,164
Inventories written off	340,894	—
Depreciation of property, plant and equipment	30,124,994	42,217,798
Amortisation of trademark	48,839	48,839
Loss on disposal of property, plant and equipment	27,835,853	6,999,464
Interest expense	6,373,643	8,176,261
Interest income	(192,486)	(1,282,677)
Decrease in inventories	41,760,838	22,483,024
Decrease in trade and other receivables	4,154,059	11,190,871
Decrease in mortgage loans receivable	7,183,689	12,476,480
Decrease in trade and other payables	(9,856,614)	(8,735,009)
Decrease in amount due to a former fellow subsidiary	—	(244,096)
Decrease in amount due to an associate	—	(70,882)
(Decrease)/increase in amount due to a subsidiary not consolidated	(1,824,870)	1,824,870
Net cash inflow from operating activities	<u>25,209,946</u>	<u>11,188,690</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

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

(b) Disposal of subsidiaries

	2001 HK\$	2000 HK\$
Net assets disposed of:		
Non-current assets	522,667	—
Cash and bank balances	188,382	—
Other current assets	26,572,573	—
Current liabilities	(27,122,140)	—
	<u>161,482</u>	<u>—</u>
Loss on disposal of subsidiaries	(161,478)	—
	<u>4</u>	<u>—</u>
Satisfied by:		
Cash received	<u>4</u>	<u>—</u>
Analysis of the net outflow of cash and cash equivalent in respect of disposal of subsidiaries:		
Cash received	4	—
Cash and bank balances disposed of	(188,382)	—
	<u>(188,378)</u>	<u>—</u>

The subsidiaries disposed of during the year did not make a significant impact on the turnover, operating results and cash flows of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

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

(c) Analysis of changes in financing

	Share capital and share premium HK\$	Bank borrowings HK\$	Obligations under finance leases HK\$	Fixed deposits pledged HK\$	Amount due to a major shareholder HK\$	Amount due to former ultimate holding company HK\$	Minority Interest HK\$
At 1 April 1999	138,527,017	12,647,899	6,684,468	—	—	5,244,349	—
Net cash inflow/(outflow) from financing	—	(9,534,817)	(4,952,684)	—	5,000,000	10,527,206	—
Assignment of debts (note 35)	—	—	—	—	17,000,000	(17,000,000)	—
Accrual of interest	—	—	—	—	382,592	1,228,445	—
At 31 March 2000 and 1 April 2000	138,527,017	3,113,082	1,731,784	—	22,382,592	—	—
Net cash inflows/(outflow) from financing	70,386,641	(3,113,082)	(1,674,893)	(6,176,289)	13,916,440	—	34,944
Issue of new shares as a partial consideration of acquisition of an investment	57,120,000	—	—	—	—	—	—
Accrual of interest	—	—	—	—	3,833,144	—	—
At 31 March 2001	<u>266,033,658</u>	<u>—</u>	<u>56,891</u>	<u>(6,176,289)</u>	<u>40,132,176</u>	<u>—</u>	<u>34,944</u>

(d) Analysis of the balances of cash and cash equivalents

	2001 HK\$	2000 HK\$
Bank balances and cash	670,876	2,226,114
Bank borrowings repayable within three months from the date of advance	<u>(5,262,999)</u>	<u>(45,319,554)</u>
	<u>(4,592,123)</u>	<u>(43,093,440)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

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

(e) Material non-cash item

The Group had the following material non-cash items during the year:

	2001 HK\$	2000 HK\$
Issue of new shares as a partial consideration of the acquisition of an investment	57,120,000	—
Transfer of property, plant and equipment as part of capital contribution to Asina	—	2,377,242
Assignment of debts due to former ultimate parent enterprise by the Group to a major shareholder (note 35)	—	17,000,000
	<u>57,120,000</u>	<u>19,377,242</u>

32. OPERATING LEASE COMMITMENTS

At 31 March 2001, the Group had aggregate outstanding operating lease commitments of HK\$3,687,139 in respect of rented premises under various non-cancellable operating lease agreements extending to April 2003. The commitments payable within the next twelve months are as follows:

	The Group	
	2001 HK\$	2000 HK\$
Leases expiring:		
Within one year	817,000	8,669,149
After 1 year but within 5 years	1,432,888	3,051,496
	<u>2,249,888</u>	<u>11,720,645</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

33. CONTINGENT LIABILITIES

At 31 March 2001, there were contingent liabilities in respect of the following:

	The Group		The Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Bills discounted with recourse	—	1,612,744	—	—
Guarantees given to banks in respect of banking facilities granted to its subsidiaries	—	—	5,136,935	48,432,636
	<u>—</u>	<u>1,612,744</u>	<u>5,136,935</u>	<u>48,432,636</u>

34. CHARGES ON ASSETS

At 31 March 2001, the Group pledged fixed deposits of HK\$6,176,289 (2000: nil) and certain of its land and buildings of HK\$1,200,000 (2000: HK\$7,012,547) to secure banking facilities granted to the Group.

35. MATERIAL RELATED PARTY TRANSACTIONS

There were the following material transactions with related parties during the year.

- (a) A loan facility letter dated 15 March 1999 was entered into by the Company and United Pacific Industries Limited ("UPI"), the former ultimate parent enterprise, pursuant to which a loan facility of up to HK\$20 million was granted by UPI to the Group. The loan was unsecured and with an interest rate of 3% over the prime lending rate quoted by Standard Chartered Bank and was repayable on demand. Pursuant to an agreement entered into between Open Mission Assets Limited ("OMA"), a major shareholder of the Company, and UPI on 31 January 2000, the outstanding portion of the loan amounting to HK\$17 million as at that date has been assigned to OMA. Total interest payable to UPI accrued during the year ended 31 March 2000 amounted to HK\$1,228,445.

As described above, OMA granted the shareholder's loan of HK\$17 million to the Group, with the same terms and conditions under the facility letter from UPI dated 15 March 1999. On 28 February 2000 and 3 March 2000, OMA further advanced shareholder's loan of HK\$2.3 million and HK\$2.7 million to the Group respectively. During the year ended 31 March 2001, OMA further granted a loan facility of up to HK\$14 million to the Group. The loan facilities are unsecured, bear interest at 3% per annum over the Hong Kong prime lending rate quoted by Standard Chartered Bank and OMA has agreed not to demand the Group for repayment until it is financially capable to do so. Total interest accrued to OMA during the year ended 31 March 2001 amounted to HK\$3,833,144 (2000: HK\$382,592).

- (b) During the year ended, the Group made sales and paid sub-contracting charges amounting to HK\$nil (2000: HK\$2,090,380) and HK\$1,355,841 (2000: HK\$2,860,258) to Asina respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

36. RETIREMENT BENEFITS SCHEME

The Group operated a defined contribution retirement benefits scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

The retirement benefits cost charged to the income statement represent contribution payable to the fund by the Group at rate specified in the rules of the scheme. Employees are entitled to 100% of the employers' contribution and the accrued interest upon retirement or leaving the Group after completing ten years of services counting from the date of joining the Group, or at a reduced scale of between 30% and 90% after completing three to nine years of service counting from the date of joining the Group.

The aggregate employers' contributions, net of forfeited contributions, amounted to:

	The Group	
	2001	2000
	HK\$	HK\$
Employers' contributions under defined contribution scheme	138,612	1,046,985
Less: Forfeited contributions utilised to offset employers' contributions to the defined contribution scheme	—	(526,479)
	<u>138,612</u>	<u>520,506</u>

In addition, the Group received HK\$1,187,343 (2000: HK\$91,720) and HK\$109,485 refund of forfeited contribution during the year and after 31 March 2001 respectively.

The Group ceased this scheme on 30 November 2000.

On and after 1 December 2000, the Group participates in a master trust scheme provided by an independent Mandatory Provident Fund service provider to comply with the requirements under the Mandatory Provident Fund Scheme Ordinance. Contributions paid and payable by the Group to the scheme were HK\$29,094 for the year.

37. POST BALANCE SHEET EVENTS

- (a) On 1 June 2001, a wholly owned subsidiary of the Company disposed of several units of car-parking spaces located at the Shatin Industrial Centre in Hong Kong to an independent third party at a total consideration of HK\$1.2 million. The loss on disposal has been reflected in the income statement as provision of impairment for the year.
- (b) On 9 July 2001, the Group acquired a wholly owned subsidiary, the entire asset of which is the holding of investment properties located in the PRC, from two independent third parties at a total consideration of HK\$98 million which will be settled by the issuance and allotment of 98 million new shares of the Company at an issue price of HK\$1 each.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, or assets or liabilities of the Group.

Name of subsidiary	Place of incorporation or registration	Particulars of issued and fully paid share capital/registered capital	Percentage of ownership interest			Principal activities
			Group effective holding	Held by the Company	Held by subsidiary	
Goldwiz Management Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	—	Provision for management services
Goldwiz Technology Limited	British Virgin Islands	1 share of US\$1	100%	100%	—	Investment holding
Goldwiz Communication Limited	British Virgin Islands	1 share of US\$1	100%	100%	—	Investment holding
Long Billion Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	—	Property investment
Great Wall Alliance Limited	British Virgin Islands	100 shares of US\$1 each	100%	100%	—	Trademark holding
Hong Kong Toy Centre (B.V.I.) Limited	British Virgin Islands	100 shares of US\$1 each	100%	100%	—	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration	Particulars of issued and fully paid share capital/registered capital	Percentage of ownership interest			Principal activities
			Group effective holding	Held by the Company	Held by subsidiary	
H.K. Toy Centre Holdings Limited	Hong Kong	100 ordinary shares of HK\$1 each 2,772,202 deferred shares of HK\$1 each (note)	100%	—	100%	Investment holding
Hong Kong Toy Centre Limited	Hong Kong	200 ordinary shares of HK\$1 each 22,500 deferred shares of HK\$100 each (note)	100%	—	100%	Cessation of toy business on 30 November 2000
Playwell Industry Limited	Hong Kong	2 ordinary shares of HK\$1 each 500,000 deferred shares of HK\$1 each (note)	100%	—	100%	Cessation of toy business on 31 December 2000
Playwell Toy Inc.	United States of America	10,000 shares of US\$1 each	100%	—	100%	Distribution of toys

Note:

These deferred shares carry no right to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding-up.

39. COMPARATIVE FIGURES

The 2000 financial statements were audited and reported on by Messrs. Deloitte Touche Tohmatsu, whose report dated 28 August 2000 expressed an unqualified opinion.

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